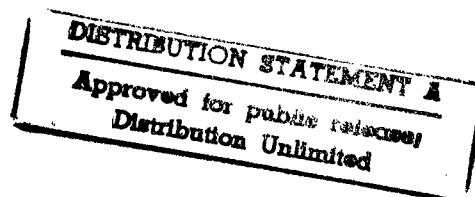




# ***JPRS Report***

## **East Europe**



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# East Europe

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11 July 1991

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## Refugee Flow Continues Despite Rome's Measures

91BA0837A Munich SUEDDDEUTSCHE ZEITUNG  
in German 14 Jun 91 p 3

[Article by Friedrich Kassebeer: "Undesirables in Land of Dreams—More Refugees From Albania Despite Italy's Deterrence Policy"]

[Text] Rome, 13 Jun—The Adriatic was almost as smooth as glass when the Albanians were sighted by the Greek ferries and the Italian warships. On the ferry El Greco which runs between Patras and Ancona the passengers crowded the railings. They wanted to take pictures of the grubby, bearded men rowing their rafts on the open sea. It was a small, fragile flotilla hammered together from barrels and boards, some of the rafts even sporting a mast and sail. The second wave of boat people this year was on its way to get to Italy, the land of dreams, which they had come to know on television back in Albania. But the dreams of these "economic refugees," as they were immediately dubbed in Italy, would soon go up in smoke as they were rescued at sea and taken to the ports of Ancona, Brindisi and Trieste

The prefects of the port cities had received bluntly worded telegraphic instructions from Margherita Boniver, the socialist minister of immigration of the Rome government, saying that they were "to prevent disembarkation in Italy at all costs." The government intends to apply the tightened 1990 immigration law against these refugees. Policemen sealed off the piers at Ancona and Trieste to keep the Albanians from getting off the Greek ferries and one Turkish steamer which had brought them there. As a consequence, almost 200 Albanians aboard the El Greco refused to eat the supper the Greeks had prepared for them on the evening of 12 June and went on a hunger strike. About 100 of their fellow refugees aboard the Turkish ferry Lato which had also tied up at Ancona were furious with the Italians. The captains of the ships which were to return to Greece with hundreds of tourists onboard enlisted the help of a Greek consul to try and persuade the Italians to let the Albanians go ashore. But their argument that the refugees might cause unrest or set fires aboard the ships did not impress Andrea Isca, the prefect of Ancona. According to maritime law, a captain may refuse to leave port, if safety aboard his ship cannot be guaranteed. A diplomatic tug-of-war between EC partners Greece and Italy was about to take place.

The boat people were rescued from their rafts in the Strait of Otranto where the distance between Italy and Albania is only 80 kilometers. The Nefer Udozov, a Soviet ship, took 117 Albanians aboard. They were to disembark in Brindisi but the Italians ordered the captain to stay at anchor outside the harbor. Doctors from Brindisi came aboard and took care of sick refugees. But then the expected order came from Rome not to let the Albanians go ashore. The ship made for its destination,

Porto Maghera near Venice. All the captain could hope was that he would get rid of his passengers there.

Initially, only the 92 Albanians picked up by three Italian warships were lucky. Although the commanders were under orders to intercept the new wave of refugees which was spotted early on and to keep it out from Italy's territorial waters, the sorry sight of the rafts led to the decision to take the Albanians aboard as shipwreck victims. This placed the 92 Albanians on Italian soil, so to speak. They were able to go ashore in Brindisi and were housed at a camping site.

The fate of the Albanians aboard the fishing vessel Delvina is viewed as particularly tragic in Italy. It left the Albanian port of Saranda for Italy carrying some 35 refugees, among them two army deserters, a woman and four children and tried to reach the open seas under cover of darkness. The ship was fired on by a coast guard vessel. Two young Albanians—17 year-old Antin and 22 year-old Luan—were killed; four men were wounded. "It was insane to fire on these people," Boniver said. "This is certainly not the way to convince them not to escape."

The decrepit Delvina reached the coast near Otranto and was towed into port because it had dead and wounded aboard and its rudder was damaged. The government prosecutor took responsibility of the bodies, the wounded were taken to clinics but the remaining Albanians were not permitted to go ashore in conformance with the iron-clad orders which Rome had sent to Otranto in time. They asked for political asylum, Mayor Gianni Stefanelli said. "I will have to see what can be done."

"I will never go back to Albania," young Viron Mekay, one of the wounded, told Italian reporters. "I left my parents and four brothers behind. I will pray for them but I will not return to that hell. You live in fear. The police do what they please and life is simply impossible." Mekay, his brother-in-law Fatmir, who was also wounded, along with Luan and Antin who were later killed went from the city of Valona to the port of Saranda "wearing only the clothes on our backs in order not to attract attention." They and the others discovered that the owner of the ancient fishing vessel wanted to flee the country as well. For its part, the interior ministry in Tirana claimed that the vessel forced its way out of port and the coast guard "fired in self-defense." This version of the story is obviously being taken with a grain of salt in Italy. But more and more urgent questions are being raised in Rome and in the port cities along the Adriatic. Why is there a new wave of refugees in spite of political relaxation in Tirana, the dissolution of the communist party and the participation of other parties in the government? Italian television which can readily be seen in Albania not only deludes the poor survivors of communist self-sufficiency with the glittering images of Western consumerism but also tells them about the dangerous problems faced by the 28,000 Albanians already living in Italy. Doesn't the new wave of boat people confirm the fears of the port city mayors that additional thousands of

Albanian refugees are preparing to flee the country? Are rafts made of gasoline cans and wooden boards being built commercially, perhaps even on orders of lawless profiteers, and being sold to those willing to flee?

As the summer draws nearer and the waters of the Adriatic get warmer, the Italians are getting more and more worried that masses of Albanians will really leave their country by sea. "They will dive into the Adriatic at Durazzo and swim to Ostuni (in Apulia)," the *CORRIERE DELLA SERA* quotes a cynical coastal resident as saying. Tourism officials and the mayors of port cities and beach resorts are protesting in Rome that even the relocation of the Albanians who arrived in the spring from the refugee camps in the south to sites all over Italy is not working out. They would like to offer the vacationers problem-free and, if possible, Albanian-free cities. There have been brawls involving Albanians; there has been violence and theft. Some of the Albanians

have burned tents in fits of rage in order to force the authorities to provide them with permanent quarters. The mayors have threatened to stop supplying the camps unless the removal of the refugees from several such camps in Apulia has not commenced by 20 June. Only 2,000 of the 14,000 Albanians in Apulia have thus far been transferred to northern Italy. But in the north Ravenna has successfully protested against housing them in a tent city and Tarquinia has refused efforts to relocate 2,600 Albanians there.

Today, Foreign Minister Gianni De Michelis flew to Tirana to offer economic aid to Albania which might help stem the tide of refugees. In Italy, the first deportation orders have been issued against five Albanians guilty of committing violent crimes. Thousands of Albanians are in danger of having to leave the "land of dreams" by 15 July unless they are recognized as political refugees or can prove that they have a job.

### Macedonian Question Affects Pirin SDS

91BA0777A Sofia DEMOKRATSIYA in Bulgarian  
23 May 91 p 5

[Article by Lyudmil Georgiev: "The Macedonian Problem as Political Propaganda"]

[Text]

### Elections Are Won With the Help of Historical Thinking and Organization

In last year's elections for the VNS [Grand National Assembly], the regional Alliance of Democratic Forces [SDS] in Pirin Macedonia, won a convincing victory. Expressed in terms of seats of deputies, it is as follows: 10 (SDS); three (BSP [Bulgarian Socialist Party]); two (DPS [Movement for Rights and Freedom]); and one (BZNS [Bulgarian National Agrarian Union]). What is not very well known is the way these results were achieved. The study of the electoral campaign waged by the SDS throughout the country could have only benefited from a look at the struggle which the SDS waged in the former Blagoevgrad Okrug.

From the organizational point of view, it was expressed through the exceptional dedication and industriousness of all municipal KS [Coordination Councils] of the SDS and its electoral clubs, sincerely backed by numerous sympathizers and supporters. As a result of this, all section and rayon electoral commissions had enough members not only in accordance with the accepted quotas but also including SDS observers, who prevented any manipulations during the elections themselves.

As for the nomination of candidates for deputies, the regional SDS did not allow any sort of partisanship, and categorically opposed the efforts of the national party leaderships within the coalition to interfere in such matters. It is thus that the locally nominated candidates also became local people's representatives, whose activities in the VNS are rated very highly. Suffice it to mention the fact that almost all deputies are among the 39 deputies who withdrew from the VNS, guided by their own conscience and in accordance with the firm will expressed by their electorate.

All of this is a manifestation of yet another essential feature of the regional SDS in Pirin Macedonia: Party prejudices were suppressed deliberately and friendly unity developed among all partners within the coalition. This also explains the disagreement expressed by the members of the N. Petkov BZNS and those of the BSDP [Bulgarian Social Democratic Party] with the conciliatory actions of their central leaderships. Furthermore, they expressed their particular disagreement with the bolshevik-style procedure used in removing Stoyan Ganev and Aleksandur Yordanov from the leadership of the parliamentary SDS, thus incurring the scorn of the membership and the SDS sympathizers in Pirin Macedonia.

Not least in terms of significance was the theoretical-propaganda aspect in the electoral campaign and activities of the regional SDS in the former Blagoevgrad Okrug. All aspects of life of our society were studied quite closely. No rivers of honey and mountains of gold were promised. However, as a necessary prerequisite, without which one could not even conceive of any future democratic society, the question of the full confiscation and nationalization of BSP (BCP [Bulgarian Communist Party]) property and of corrupt leadership had always existed. Actually, this is one of the basic criteria for assessing the activities of the VNS, the government, and of political forces and personalities.

Naturally, the main feature in the activities of the regional SDS was and remains the national problem in its regional context: the Macedonian problem. Let me recall that the SDS in Blagoevgrad and the SDS in Petrich were the first sociopolitical organizations in the country which reacted, sharply and categorically, to the new anti-Bulgarian wave of the Skopje and Serbian communist propaganda of the end of 1989. Furthermore, in various meetings, assemblies, and encounters with representatives and leaders of the regional SDS, they have always defended the Bulgarian national interests in Macedonia. The opening of the mass graves near Dobrinishte and Blagoevgrad, which were filled with the bones of VMRO [Internal Macedonian Revolutionary Organization] members, who were savagely murdered immediately after 9 September 1944, was a manifestation of respect for Bulgarian patriots. In addition to everything else, the purpose of those murders in Pirin Macedonia was to clear the way for the coerced Macedonization of Macedonian Bulgarians carried out by the Communist Party in 1946-48. Historical justice demanded that the memory of the supporters of the Bulgarian national cause be honored. This was a prerequisite for exposing the truth of the treacherous anti-Bulgarian nature of the policy pursued by the BCP on the Macedonian problem before and after 9 September 1944. Without this action the Macedonian Bulgarians would have never been able to gain the necessary moral satisfaction for the suffering to which they were subjected by the Communist regime.

Unfortunately, the moderate yet categorical position on this question of the regional SDS in Pirin Macedonia, projected on a national scale, assumed dimensions which adversely affected the image of the opposition. Simply, the national SDS in Pirin Macedonia was unable to distinguish elsewhere in the country between SDS political attitudes about the past in the former Blagoevgrad Okrug, and the general views on the national interest and revenge motivations in assessing the actions of the Communist Party after 9 September 1944. This error, suitably inflated by Communist propaganda, led to the loss of a significant number of votes which otherwise would have "by right" belonged to the SDS electorate.

Being a democratic organization, the regional SDS does not limit its propaganda on the Macedonian problem exclusively to the errors and the culpability of the

Communist Party concerning the Macedonian Bulgarians. Conversely, the SDS has always sought to find the historical roots of the problem, which may be traced to the actions of the great powers in the splitting of San-Stephano Bulgaria at the Berlin Congress. In this connection, it did not omit the specific role which was played by Russia and, subsequently, the Soviet Union in tying the knot in the Macedonian matter. A firm indignation was also expressed on the subject of the statement by Soviet Ambassador V. Sharapov to the Ministry of Foreign Affairs on 21 January 1991 about the visit which our parliamentary organization paid to Lithuania, in which the ambassador intimated that the Soviet Union might send a similar delegation to "inspect matters on the Macedonian problem." Such a stance provides a sufficiently clear answer to the question of the Soviet attitude toward the Macedonian problem, an attitude with which the population of Pirin Macedonia cannot fail to take into consideration for understandable reasons. On this matter, however, it must be understood once and for all that the positive feelings of the Macedonian Bulgarians, who are part of the Bulgarian nation, toward the Russian and other Soviet peoples, have nothing in common with the just objection to the imperial policy of Russian tsarism and Soviet communism as a state-administrative principle applied to Bulgaria and, particularly, Macedonia which is historically a natural part of Bulgaria.

The regional SDS in Pirin Macedonia equally rejects the historical or current views of some Western European countries concerning the nonexistent "Macedonian minority." Major objections are triggered by current publications in some British newspapers which are citing statistics based on scandalous ignorance or naive simplicity. At the same time, it must be emphasized that these are data of censuses conducted during the Communist regime, which makes one aware of the degree of its culpability toward Macedonian Bulgarians. The SDS in the former Blagoevgrad Okrug has an exceptionally clear awareness of all this.

#### **SDS Sofia City Council Declaration on Elections**

*AU0807144591 Sofia DEMOKRATSIYA in Bulgarian  
3 Jul 91 p 1*

["Text" of declaration issued by the Union of Democratic Forces' Sofia City Consultative Council on 1 July: "For Success in Upcoming Elections"]

[Text] The chairmen of the municipal coordinating councils of the Union of Democratic Forces [SDS] in Sofia adopt and support the decisions of the 22 June 1991 SDS National Conference, despite the fact that those decisions do not coincide with the views of the SDS Sofia City Coordinating Council on the basic issues of democratic opposition, and are rather removed from the present position of the SDS Sofia City Coordinating Council. On 22 June 1991 the idea about the supremacy of the conference within the SDS structure and the obligatory character of its decisions was not adopted.

The membership of the National Coordinating Council was not improved and expanded by including representatives of regional coordinating councils, and a new executive organ at the National Coordinating Council was not established.

Nevertheless, the SDS Sofia city Coordinating Council accepted the decisions of the conference as a necessary compromise.

Unfortunately, our readiness for concessions and compromises was not shared by the National Committee of the Bulgarian Social Democratic Party [BSP], which on 30 June arbitrarily described the civic committees not as assistants of the local SDS coordinating councils in the election struggle, but as a "united blue party," which puts an end to the SDS coalition. In addition, the BSP expressed readiness to appear with a separate list at the elections. Its leadership did not recognize the legitimacy of the conference and did not accept any of its decisions.

At present the position of the leadership of the Nikola Petkov BZNS [Bulgarian National Agrarian Union] is rather unclear. In an obvious contradiction to the conference decisions, again, as before the previous elections, the Nikola Petkov BZNS demands greater quotas, and a privileged representation in the opposition ballot. It appears that Milan Drenchev wants one SDS list but different ballots.

On the other hand, the 29 June 1991 National Conference of the Green Party demanded precisely the opposite—one ballot with three lists. This contradicts the position of the conference and of the 39, which Karakachanov adopted during the conference.

How are we to master this incredible situation? What is the solution? In a democratic association, such as the SDS, the adoption of decisions aimed at uniting the opposing stands, should be adopted by a majority. This was the goal of the national conference. It adopted decisions that were acceptable to all and just. We know that it is not our business to interfere with the parties' internal affairs. We also do not try to influence in any way the leaderships of those political formations. The issue in question is the success of the democratic forces in the upcoming elections and the future of our nation.

Therefore, loyal to their duty to society, the members of the SDS Sofia City Coordinating Council declare that supporting the decisions of the National Conference, they will work in the forthcoming election campaign in the spirit of those decisions. Only the municipal coordinating councils in Sofia and the SDS Sofia City Coordinating Council, and no one else will determine the candidates of the united opposition in the upcoming elections with a united list and single ballot. The municipal coordinating councils and the SDS Sofia City Coordinating Council will support only democratically nominated candidates, whose candidacy has been discussed on a broad public basis by the SDS supporters, and confirmed by the SDS Coordinating Council. Any other

lists and ballots on behalf of the opposition will not be supported in any way by the SDS Sofia City Coordinating Council.

We appeal to all SDS regional and oblast coordinating councils throughout country to analyze this appeal and support it with analogous declarations.

### **Background, Goals of Bulgarian Liberation Movement**

91BA0775A Sofia DEMOKRATSIYA in Bulgarian  
23 May 91 p 5

[Interview with Toncho Karabulkov, member of the Executive Committee of the Bulgarian Liberation Movement, by Radoslav Gulubarov; place and date not given: "In Bulgaria Things Continue To Depend on the Maneuverings of the Communist Party"]

[Text] Exiled Bulgarians were strangers to us. Some of them have already returned, hoping to see a free and democratic Bulgaria. We spoke with Toncho Karabulkov, member of the Executive Committee of the Bulgarian Liberation Movement, about their lives during those years, their organization and struggle, and their views about the present and the future.

### **A Necessary Historical Reference**

The political emigres, most of whom were agrarians, were rallied in 1947-48 by Dr. G.M. Dimitrov. However, as long as there was an official opposition in Bulgaria, he did not take any specific political steps to found a separate emigre organization. This took place after the opposition was disbanded and Nikola Petkov was hanged. It was then that the Bulgarian National Committee was created, with its organ—the newspaper SVOBODNA I NEZAVISIMA BULGARIYA, which began publication in 1949.

Dr. G.M. Dimitrov did not classify the Bulgarian emigres into agrarians and nonagrarians. Anyone who fought communism was welcome under the roof of the Bulgarian National Committee. As long as Dr. G.M. Dimitrov was alive, the efforts of all emigres, both in Europe and America, were concentrated on the sole objective of keeping foreign public opinion informed about the struggle waged by the Bulgarian people and about actions aimed at the overthrow of communist dictatorship in the country. After Dr. G.M. Dimitrov's death, on the one hand, coordination and coexistence between the two worlds gravely damaged the spirit of the emigres; on the other, the biological factor itself had a pernicious influence on them. A few years had to pass before some ideas could crystallize, and before the purposeful and organized activities of the emigres could continue. This led to the establishment of the Bulgarian Liberation Movement (BOD).

### **The BOD Movement**

The movement drafted its bylaws and program consistent, above all, with circumstances and events in Bulgaria. Regular congresses were held every three years. Between congresses the BOD was headed by the Executive Committee, consisting of representatives from the European countries, Australia, and America. Its permanent bureau met on a monthly basis. It included representatives from Bulgaria as well who, for understandable reasons, were known only to the leadership. The BOD has always aspired to act as the voice of the Bulgarian people, to prove that totalitarian communist power is against the people, and that the people must reject this slavery imposed from the outside.

The movement has also greatly relied on its publications. The periodical BUDESHTE, edited by Tsenko Barev, is not the organ of the BOD. However, it expresses, in general terms, its aspirations and program. It opened its pages to writers, professors, and journalists from Bulgaria, who were thus given the opportunity to express views which could not be published in the press controlled by the communists in the past. Such people included Toncho Zhechev, Encho Mutafov, Svoboda Buchvarova, and others. The articles by Dr. Zhelyu Zhelev were published in BUDESHTE even before he assumed leadership of the opposition in the country and before he became president. The movement also published books on concentration camps and jails in Bulgaria, although the rich documentation of the Ministry of Internal Affairs was not available to it. The BOD organ is the official bulletin published in Bulgarian, German, French, and English.

### **Tsenko Barev Is BOD Chairman**

He is a political personality who has enjoyed the prestige and recognition of various political leaders, past and present, and of noted international organizations. He has also been a delegate and observer to the parliamentary assembly of the European Council in Strasbourg, and the NATO parliamentary assembly; he is a member of the editorial board of the periodical KONTINENT. Furthermore, he has also been chairman of the representative group of enslaved European peoples in France and member of the executive committee of the Resistance International and member of the leadership of the Paris group which rallies the most noted intellectuals in exile. To this day, Tsenko Barev carries only one document of his citizenship: his emigre Bulgarian passport, with which he returned to his homeland.

[Gulubarov] Mr. Karabulkov, how do you see our country today?

[Karabulkov] While in exile, we always tried to get information about the situation in Bulgaria. As for expectations, we believed that political problems would be resolved more quickly after November 1989. Although in the so-called former socialist camps in other countries the processes have gone much farther (Poland, Czechoslovakia, Hungary), our country is not showing

the marks of any accelerated democratization. In Bulgaria matters continue largely to depend on the will and the maneuverings of the Communist Party. The majority in parliament is that of the former Communist Party which has an interest in slowing down the processes of democratization, privatization, and conversion to a true market economy.

The game of the Communist Party is something I understand quite well. I am familiar with it.

[Gulubarov] In that case, new elections?

[Karabulkov] Yes, this should not be postponed. Elections must be held at all cost. It is only the Communists, the economic nomenclature, who can benefit from delaying them. The Bulgarian people could in no way benefit! The reasoning that the system is still not sufficiently "developed" is ridiculous. If even after one and a half years you were unable to develop it, you would be unable to do so even in a hundred years. You would still remain where you were. Consequently, it is not a question of time but of method. The opposition must become aggressive and the struggle must be radicalized.

[Gulubarov] Is that the way you see the actions of the group of opposition deputies who decided to withdraw from parliament?

[Karabulkov] This is definitely the final step, for they see no other way of influencing the resolution of political problems in the country. They probably hoped that in this manner they will speed up the democratization processes and take with them the members of other democratic opposition political forces and those who are currently hesitating.

[Gulubarov] Do we need a new constitution at this point?

[Karabulkov] Considering the great delay in the work schedule of the VNS [Grand National Assembly], it should abandon the drafting of a new constitution. This could be accomplished by the next National Assembly, which would give itself the time necessary to this effect. The constitution is an important, fundamental law and should not be drawn up hastily. The Bulgarian Liberation Movement is suggesting that the new constitution be drafted by VNS but also approved by the entire people through a popular referendum. This would also solve another basic problem which continues to concern some Bulgarians: Should Bulgaria be a republic or a monarchy?

Democracy can be only political, for otherwise it is not a democracy. Those who fear the politicizing of the Bulgarian people are wrong. There is nothing dangerous in the fact that democracy is organized in political parties. The uncertainty comes from the fact that the political parties seem to lack a clear position and are not offering a specific path to be followed. The reason for which we have reached such a roadlessness is that today there is no

single political force with the courage to say: I lay a claim to the assumption of power because I have a clear and an attainable program.

[Gulubarov] What should the united opposition accomplish?

[Karabulkov] This is a difficult question to answer, for a person must be well familiar with the deployment of forces and relations among the leaders of the individual parties. It is no easy matter to form a coalition, for which reason one should be very careful before dismantling that which exists. All opposition democratic forces must join in removing the Communist Party from power. They must find the strength to suppress differences and that which divides them. Only this, the major factor which unites them, must remain, in order to eliminate the decades of Communist dictatorship and the harassment of the Bulgarian people.

### **Soviets To Help Military Factory Conversion**

*AU0807150191 Sofia DUMA in Bulgarian 4 July 91 p 2*

[DUMA PRESS report: "Soviet Military Capital Pours Into the Bulgarian Conversion"]

[Text] On 3 July, Minister Pushkarov, giving an account of his negotiations with the USSR, said that the idea of taking out shares in Bulgarian military companies when they converted was well received by the Soviet Defense Industry Ministry.

On 2 July, specialists from Kharkov had looked at the possibilities for cooperation with the military factory at Cherven Bryag. From the armored personnel carriers produced there, small 15 and 25 horse power tractors will be made. That is just a part of the specific agreements which Bulgaria has with the USSR for converting some of our factories. In the main, cooperation will take the form of joint companies.

In addition, our military industry supplies to the Soviet Union will increase significantly, Minister Pushkarov said.

### **Deputy Defense Minister Holds Talks in Istanbul**

*AU1007124691 Sofia BULGARSKA ARMIYA in Bulgarian 5 Jul 91 pp 1, 4*

[Excerpt] Istanbul, 4 July (by telephone from our special correspondent Major Vladi Vladkov)—Late in the afternoon of 3 July, the helicopters carrying the members of the Bulgarian military delegation led by Colonel General Radnyu Minchev, first deputy defense minister and chief of the Bulgarian Army General Staff, landed directly outside the headquarters of the First Turkish Army in the Istanbul district of Selimnie [spelling as transliterated]. After welcoming the high-ranking Bulgarian guest with a military honor guard, Army General Ismail Hakku Karadaiye, [spelling as transliterated] commander of the First Turkish Army, received the members of the delegation in his office.



During a lengthy and meaningful conversation, the two military leaders reached the view that no obstacles exist to improving the relations between our two peoples and our armed forces. General Karadaiye emphasized that the First Turkish Army, which is mainly deployed in eastern Thrace, is the closest neighbor of Bulgaria and the Bulgarian Army and has an interest in this. He expressed his wishes that meetings between the military should also be held at a lower level, in order to promote the strengthening of mutual trust in all units of the Armed Forces.

Col. Gen. Minchev thanked his host for his hospitality. He gave the commander of the First Turkish Army a detailed briefing on the development of the irreversible processes of democratization in Bulgaria and the Bulgarian Army. The chief of the Bulgarian Army General Staff said that the Bulgarian military doctrine, as well as the state national security doctrine, envisage improving relations with all the neighboring countries, including the Republic of Turkey. He emphasized that the changes in our relations in the military sphere are not to the detriment of third countries. The Bulgarian military doctrine specifically states that Bulgaria does not regard any people or any country as its enemy, and that the Bulgarian Army is constructed upon the principles of defensive sufficiency. In this context, further improvements are being made in the Army's organizational structure, and all the main statutes, instructions, courses, teaching procedures, and programs are undergoing revision. Bulgaria and the Bulgarian Army will never be the cause of an armed conflict breaking out, Col. Gen. Minchev stressed. Quite the reverse, they are striving, and will continue to strive in the future to change the Balkans into one of the regions of Europe in which peace, confidence, and security will form the main principles in international relations.

General Minchev said that in his view the overall personnel and combat strength of the First Turkish Army are very large. He voiced a desire that forms, ways, and methods should be sought to reduce troop numbers. He added that this is in the spirit of the CSCE and the Paris Charter for a New Europe, and a guarantee for further improving relations between the two countries.

The two military chiefs reached the common viewpoint that a new Europe cannot be built on old thinking and on stereotypes that have been rejected by life itself, and that our countries and peoples must look ahead and ensure the peaceful future of the coming generations. [passage omitted]

#### **Foreign Drivers To Pay Tolls on New Highway**

*AU0907171391 Sofia DUMA in Bulgarian 5 Jul 91 p 2*

[DUMA PRESS report]

[Text] Foreigners will have to pay about \$70 for transiting the trans-European highway from Kalotina to Kapitan Andreevo. This has been calculated by specialists in connection with the decree on collecting fees in

the transportation system adopted on 4 July by the Council of Ministers. Transport Minister Veselin Pavlov explained that the fees will be paid in leva, depending on the official dollar exchange rate. Apart from road transport, the fees also apply to air and sea travel.

Minister Pavlov announced that a deposit payment of \$6 million will have to be paid in order to participate in the competition by tender for construction of the Kalotina-Kapitan Andreevo highway. Seven or eight international groups have already shown interest in the tender competition and have purchased the necessary sets of documentation for \$3,600. Participants have until 19 July to register for the competition.

#### **Standardization Committee Chairman Interviewed**

*91BA0788A Sofia DELOVI SVYAT in Bulgarian  
27 May 91 p 2*

[Interview with Engineer Ivan Zapryanov, chairman of the Committee for Standardization, Certification, and Metrology, KSSM, by Liliya Gocheva; place and date not given: "The Prestige Market Is a Prestige Market Because It Is Protected by Standards"]

[Text] Street stands appear and disappear. Many people consider them the pioneers of a market economy. It is as though no monopoly exists in that area.

However, if we were to look at them through "Western" eyes, monopoly has not disappeared at all—the monopoly of tastelessness and questionable quality. We do not even think that a hundred years ago, precisely in order to be effective, the real market had been forced to regulate itself both in terms of monopoly and quality. This included the passing of a number of laws and international agreements. Let me mention merely the antimonopoly legislation in the United States and the Madrid Agreement on the International Registration of Trademarks, which was passed on 14 April 1891. I consider it embarrassing to go so far back, all the more so since that time the developed countries have individually passed additionally many more laws, all of them in that area. On 25 July 1985, the European Community Council, for example, adopted a directive on harmonizing legislative, legal and administrative stipulations of member countries concerning responsibility for damages caused as a result of the production of defective goods. The European Quality Organization (EOK) issued recommendations on the "Elimination of Non-tariff Barriers in the Establishment of Foreign Economic Relations in the Industrial Sphere Between Eastern and Western Countries." An agreement on the creation of a European testing and certification organization was signed in April of 1990, which will become effective as of 1 January 1993.

Had this history been known, we would have avoided all those emotions expressed on so many levels, concerning the need, personnel, budget, functions, etc., of the Committee for Standardization, Certification, and Metrology (KSSM), which was created some 100 days ago (on 13

February 1991). However, as it turned out, it was worth it to ask Engineer Ivan Zapryanov, the committee's chairman, to answer a few questions.

[Gocheva] Are we not following the old system of administering the economy with the help of regulations, laws, an "economic police," etc.?

[Zapryanov] It is basically a mistake to believe that a market economy and democracy mean that anyone could do anything he pleases. Let me give you some examples. In 1935, when a market economy existed in Bulgaria, a law was promulgated on organizing and controlling exports. Only two years after that we became very competitive on the Western market and our farm produce, something which is still remembered, enjoyed a good reputation. In 1975 Japan issued a law on controlling exports, the purpose of which is to maintain the good reputation of its goods. It is thus that Japanese goods asserted themselves on the international market. Today no one speaks of substandard Japanese goods. In other words, the activities, rights, and responsibilities of the national authorities in quality control, testing, and certification are regulated by law in all developed countries. In the United States, for example, there are more than 15 such laws. Furthermore, the President himself may appoint a five-member commission, with the Senate's advice and consent, responsible for the safety of consumer goods and with the right to declare a given item a "prohibited dangerous item." By law, the production, sale, and dissemination or import of goods which do not meet safety standards or are considered "prohibited dangerous items" may be subject to prosecution. If the law is violated, the commission may levy fines of up to \$500,000. In Germany, penalties for damages caused by defective goods may be as high as 160 million German marks. In Great Britain, Japan, and again the United States, this fine may be accompanied by a jail term as well! Yet these are all administrative measures, the purpose of which is to protect not only the rights of the consumer but also those of the state. Naturally, all of this is based on a powerful set of laws and not on a single law. Therefore, coordinating our actions with Western criteria requires not only to be in step with their standards but also to have our own legal system to control exports and imports, protect consumers, ensure the mandatory certification of goods, related to the safety, health and life of the people and environmental protection, as well as goods of major export importance to our country.

It is true that in the West a great part of the standards are not mandatory. However, they are observed by the companies if they want to remain competitive. Let us take as an example the standards of systems which ensure production quality (ISO 9000). The companies would even not even think of violating them, for otherwise it would be impossible for them to sign a contract with a customer. There is also a connection between economic and administrative measures. Even if a Bulgarian company may win a bid abroad—such a case did occur—instead of profiting it may be penalized a hefty

fine for its inability to present a certificate guaranteeing that its materials are consistent with a given standard, the DIN, let us say.

[Gocheva] In that case, could any substantial work be done by the committee, considering that our legal base has become obsolete and, furthermore, is insufficient?

[Zapryanov] It turns out that we must close down the "stand" and wait, according to my estimates, until the second half of next year, when such laws may be submitted to the National Assembly. It is only then that the entire country will begin to work. In my view, this is primitivism. We do have laws. They may be imperfect and, in some cases, even create difficulties. However, they are still on the books! We have a Law on Standardization, a Law on Measures and Measuring Equipment, and a number of legal acts. We have the right to impose fines. It is true that a fine of 400 leva is small. However, we could also have price discounts, or stop the production of goods, which becomes quite serious. We have no right to look for excuses. We must use the available possibilities.

[Gocheva] Could this be interpreted as a threat?

[Zapryanov] Of course not. Our objectives are, briefly, to contribute to and influence the enhancement of quality and the competitiveness of our goods and to remove the technical barriers in the integration of our economy with that of Europe and the rest of the world; to protect the interests of consumers and the state by blocking goods and services which endanger the health of the people and environmental protection, to ensure a coordination of criteria and even of the technical language which we use in discussions with our foreign partners. If today the firms are unable to understand such requirements, tomorrow no one would accept them abroad, whether they are private companies or not. That is why today we must persuade, convince and pressure them, even economically, for otherwise integration will remain on the books only.

[Gocheva] The 2.5 million leva which you have at your disposal in order to coordinate the standardization fund, metrological support and ensure the international accreditation of Bulgarian laboratories is a very small sum. How do you intend to augment your funds? Elsewhere in the world companies as well participate in such activities.

[Zapryanov] This is true. In Austria, for example, according to ISO data, the state participation in the agencies in charge of the national control and quality, testing, and certification system is about 8.5 percent, whereas in Japan, Thailand, and South Korea it is 100 percent. The last three have the ambition of attaining ever stronger positions on the international markets and are doing so! In our case, in all likelihood, for a while the state will have to assume most of the expenditures until the companies become aware of the need for standardization and certification and, in most general terms, the need for quality. We do nonetheless have some ideas and

we believe that next year we shall draft and propose a mechanism for mixed financing, so that the technical barriers may become higher than the tariff barriers.

### **Business Party Official Views Policies, Goals**

91BA0786A Sofia DELOVI SVYAT in Bulgarian  
27 May 91 p 3

[Interview with Dimitur Zvezdev, deputy chairman of the Union for Private Economic Enterprise, on the opinion of the organization concerning the present Bulgarian economy, by Dobromir Dochev; place and date not given: "Mr. Mollov's Union' Claims That the Rules of the Game Are Still Not Equal for All"]

[Text] [Dochev] Do you have plans which your union will defend, shall we say, in talks with the European Bank for Reconstruction and Development [EBRD]?

[Zvezdev] The union does not engage in economic activities. It is a social organization with an ideal as its objective. In that sense it does not defend any specific project presented to the EBRD or other international economic organizations. Our functions are rather consultative, coordinating, and informative. Many specialists of the World Bank, the IMF, and the European Community, although invited by the government, are also meeting with the leadership of the union and with our specialists, including the First Private Bank.

[Dochev] In that case, how can you defend the interests of private business?

[Zvezdev] We find it difficult to explain some things to the Western specialists. They cannot understand that totalitarian habits are still influencing the organs which managed the economy; or else, they are not clear as to the specifics of the situation. In this respect we believe that there are problems concerning the International Monetary Fund. Its specialists cannot imagine that a tremendous percentage of our people do not understand the role of interest and do not believe in the stability of an interest rate earned, for example, on deposits. For them to believe this, it is necessary to explain the nature of inflation, the duration of interest rates, and so on. However, no one in our country is doing this. Western specialists are unfamiliar with Bulgarian conditions and with some specific features of the Bulgarian people, such as a mistrust which took years to develop.

It has become the rule in Bulgaria that when someone says "prices will not rise" to expect the precise opposite. Another fact which creates mistrust is that the steps taken by the International Monetary Fund are being kept very secret.

[Dochev] What is the view of the union concerning the speed and quality of reforms in the economic area?

[Zvezdev] Timid attempts were made by the government to seek our advice, that of Vuzrazhdane and the Union of Economic Managers concerning some strategically

important decisions. In many cases, however, we developed the feeling that this was done only as a formality, after which they would do whatever they had decided to do, according to an already accepted theoretical model. Mr. Popov, for example, is an excellent jurist but has a poor understanding of business. Unfortunately, I dare to claim that this also applies to Messrs. Kostov and Pushkarov. They are familiar with macroeconomics and, I admit, they are perfect critics of Marxist economic theory. However, they have no practical experience whatsoever in a free economy. Not a single one of them has taken out of his pocket his own money and invested it, shown a profit, and reinvested it. The lack of practical experience leads to some errors as well. That is why I believe that a permanent expert council of practical specialists enjoying a certain reputation would be of great use.

[Dochev] What is your plan of action?

[Zvezdev] First, privatization: as rapidly and as extensively as possible. This is a strategic objective, for without means of production no serious business can be conducted. However, price control was eliminated before privatization and the population simply has no money to buy things at the real market price. It is at this point that the VNS [Grand National Assembly] should act and determine how privatization is to start, after which every Bulgarian citizen should be issued securities consistent with his share of the national property. Steps should also be taken to avoid any speculating in such securities.

This is my personal view which is not shared by all members of the union.

Next is the setting of preferential conditions for private companies. For the time being, in my view, we are following the wrong method by offering preferential treatment to foreign investment. This is in conflict with all market principles, for it dooms Bulgarian entrepreneurs to undeserved discrimination. Let me give you a striking example: the Council of Ministers resolution on freeing the SBA [expansion unknown] from the tax on profit and the turnover tax. What kind of equality is this? One participant in the market is put by the state in a much better position compared to others. The result for that part of the market will be stagnation.

[Dochev] In that case, what are your chosen methods of action? Lock-out, as threatened by economic managers, or something else?

[Zvezdev] Our union does not set itself political but economic objectives. That is why our methods are legal and are indicated in our bylaws: publicity, press conferences, proposals, and appeals to the government. A lock-out is a strike, a strike on the part of business. That is all Bulgaria needs today. However, nor could such a lock-out be total. It is rather a method of expressing an attitude. Our answer is a moratorium on the payment of taxes. We are seeking the assistance of the international economic community. In some matters we were able to

communicate with the former and even with the present government via... Brussels. What is one to do, a foreign opinion is more authoritative.

[Dochev] It is being said that Mr. Mollov has resigned. How will this affect the union?

[Zvezdev] The very fact that such formations exist throughout the world indicates that they have been

objectively demanded by history. In this respect the role of an individual is not without importance nor is it determining. Mr. Mollov, however, does not even conceive of resigning. On the contrary, he has new ideas and initiatives. Our chairman is a dynamic figure, an aggressive one, and perhaps this is what is not liked. Given the present situation, however, perhaps it is precisely this type of person that we need.

## Czech Separatist Arguments Summarized

91CH0682A Bratislava PRAVDA in Slovak 14 Jun 91 p 5

[Article by Oskar Krejci: "Czech Nationalism and Separatism"]

[Text] The political disputes of recent months have been prominently marked by the nationality issue. There is a general feeling that raising its acuteness may become one of the dangerous factors in deepening the social crisis and potentially even in the collapse of our federal state. One can of course list a number of reasons why this has come to pass. But no such survey of the reasons for the growing importance of the nationality issue in contemporary politics should pass over the unwillingness or inability of the Czech side to understand Slovak self-assertion. While this fact is not a dominant feature of the present Czech political scene, one can trace a whole array of forms in which such thought and actions are manifested. Four of them may be regarded as the main ones.

### 1. Cultural-Psychological Czechoslovakism

This phenomenon is extremely widespread among the Czech public and is expressed by insensitive visions of unity of the Slovak and Czech nation. For the most part it is founded on a humanistic impulse which takes equality of nations for granted; it is not aggressive but fails to take a rational account of the difference between the Czech and Slovak nation. In a certain atmosphere it may acquire an arrogant form or manifest itself as a kind of injured frustration. It is also sustained by awareness that in the past period it was not so much Czechs as people from Prague who dominated federal politics—and during the past twenty years when there was a personnel turnover it was easier for a resident of Bratislava or Kosice to obtain an apartment in Prague than for someone coming from Plzen. As every emotion it can be rather easily manipulated by artfully conducted propagandistic campaigns, for instance about a disobedient and ungrateful and in any event unreasonable younger brother.

### 2. Czechoslovakism as an Idea

It is much less widespread among the public but has abundant roots. They can be traced not only to T.G. Masaryk but also to the many variations of the Pan-Slavic doctrine. It did not always have to play a negative role—it could, and sometimes did, serve many as a national liberation slogan, for Czechs and Slovaks alike at the time of Austria and Austro-Hungary. One can cite as an example illustrating this fact F. Palacky's January 1849 address at a congress debating a constitution when this deputy asserted that the Czech provinces comprise the Czech part of Bohemia, Moravia and Silesia and Slovakia in Hungary.

### 3. Power Interest

As a particular cause of reinvigorating nationality disputes one can undoubtedly cite the archaic notions of a federation which are sometimes used by the federal and Czech power elite to camouflage other goals. This complex of motives not understanding or not wanting to understand Slovak self-assertion takes the form of an institutional struggle seemingly concerned with a formal division of powers and understanding of the constitution. It is hard to define as it takes many forms. These may include the perception of a personal threat arising for many politicians from the fact that next to the splintered political scene in the Czech lands there is a relatively united political scene of Slovakia; it is then easy to conclude that in the forthcoming elections the key to shaping federal policy would in such a case lie in Slovakia.

One can also associate with this group the stylized nationalism or stylized defense of Czech national interests which does not arise from commitment to an idea but rather seeks arguments for a power play to affect the shape of the federation—it is commercial extortion rather than a doctrine. A similar function may be assigned also to proposals for a referendum. This will, of course, confirm the demand for preserving the federation, but can in no way halt political disputes stemming from differences in interpreting it, disputes which in deteriorating socioeconomic conditions may become more acute. Similarly, the official arguments advanced by Czech representatives to show the impossibility of concluding a treaty between the Czech and Slovak Republics are not complete. In their background lurks a rather justified concern that a federation born not from the will of the people but from a decision of independent republics can be abrogated by the leadership of a republic. But assertions that it is practically impossible to conclude the treaty because no such thing existed before and because legal theory precludes such action, do not hold water in real life. It was precisely in this country that in recent months we showed many times that even the impossible and unprecedented can be done. The origin of the United States in a confederal and federal form proves that human history is the source of arguments for virtually all sides of all political disputes. And preparations of a state treaty in the Soviet Union supply evidence that today too one can see examples of reworking a federation by means of a state treaty.

No less important is understanding of the extent to which Czech and Slovak conditions differ for a radical economic reform. Given the well-known summary insensitivity of the official understanding of a radical economic reform toward the individual production units, branches and regions, one can hardly expect understanding for the differences between republics. Such a policy does not necessarily arise from nationality or power interests, but its source may be the common intellectual fallacy of the promoters of monetarist ideas on macroeconomic regulation, which may eventually draw sustenance from psychological Czechoslovakism as

well as cosmopolitanism. But it was not this source form which emanated the main distrust of the Prague segment of the power elite toward V. Meciar—although this was precisely how they camouflaged it. In this case a regular struggle was involved, based on powerful federal politicians' fears of a united Slovakia, whose government could, by instituting a much more sensitive radical reform, endanger the dominance of their doctrinal understanding of political goals.

#### 4. Czech Separatism

While this school of thought on the problems of Czech-Slovak relations respects the Slovaks' national self-assertion, it purposefully demands the creation of an independent Czech state. Insight into its spontaneously forming program can be gained from materials circulating for months among various groups in Prague. Most of the arguments gravitate toward the economic area which will acquire extreme sensitivity because of the federal concept of an economic reform. It accentuates the issue of postwar regional economic equalization, noting that this equalization amounted to a gift of 500 to 1,000 billion korunas [Kcs] from the Czech lands to Slovakia—and this without the consent of the population. It claims that the modern Slovak industry, agriculture, and infrastructure were built with Czech money at the cost of debasing the physical quality of life in the Czech lands—environmental devastation, neglect of localities, industrial obsolescence, and the like.

The Czech separatists' notions of the advantages of breaking away from Slovakia can be simplified into the following decalogue:

1. Bohemia and Moravia will save Kcs25-35 billion annually.
2. The country's foreign currency position will improve because the overwhelming proportion of exports come from the Czech lands.
3. Slovakia will be left with the majority of big problems in armament industry conversion, controversial nuclear power plants, the Gabčíkovo hydroproject, non-ferrous metallurgy, and the like.
4. The situation in energy and ecology will improve because the Czech lands export energy and brown coal to Slovakia at the cost of destroying the Czech landscape. The materials cited here argue that it may be possible to shut down as many as one-third of the thermal power plants in the Czech lands.
5. When the Czech-Slovak accounts are settled there is the possibility of gaining in Slovakia great assets built with Czech money.
6. The crime rate will decline because there are now large numbers of Romanys [Gypsies] migrating from Slovakia to the Czech lands.
7. Disputes over powersharing will disappear and there will be a simpler administration of the state. At the same

time conditions will be created for resolving the nationality question within the Czech lands, for recognizing the historical rights of Moravians and Silesians.

8. A definite stop will be put to the danger of extortion in efforts to preserve or break up the federation. A repeat of events such as those in 1938 will be made impossible.

9. A buffer zone will be created which could prevent a spillover into the Czech lands of a potential aggravation of the social crisis in the Soviet Union. At the same time this would afford an opportunity to avoid a possible rise in tension with Hungary and to some extent also Poland.

10. A potential all-European federation cannot take in any federation. An independent Czech state would be viable, with its population of approximately ten million it would fit among the majority of European countries. Moreover, life of Czechs and Slovaks in a single common state lacks a long historical tradition.

The political situation has reached the point that Czechs and Slovaks sharing life in a common state is something no longer taken for granted. It urgently needs argument in its support. This argument must be provided in a situation where the society continues to be in a revolutionary or pseudorevolutionary turmoil—that is, in a crisis. Emotions easily grip the public, and politicians with insufficient experience and knowledge just as easily put their personal or partisan ambitions above the people's interest. Every kind of economic information can be interpreted in several ways, each assertion can be refuted—and a question mark can be appended to each new assertion.

A multitude of programs talk about an authentic, minimal, or in contrast, a centrist federation. But if the federation is to survive it must have a form benefitting both nations. It will be urgently necessary to overcome resistance to federation or disinterest in it by a new social experience of the broadest public. To counter the threat to federation presently emanating from the Czech lands means in the first place battling the psychological nationalism and power interest. No less important is overcoming the breakdown of national self-confidence accompanied by cheap cosmopolitanism and needless national self-flagellation.

But if the socioeconomic situation continues to worsen, it may very soon be the Czech separatism posing the greatest danger. This will happen because in a tense atmosphere there is always search for seemingly simple solutions. The growing influence of the conservative doctrine in government policy and propaganda will lead to depoliticizing the outlook of the thinking segment of the public: Disputes over powersharing will interest fewer and fewer people; the citizen will feel the futility of individual engagement vis-a-vis such powerlessness as the Slovak public felt when V. Meciar was being recalled; the declining standard of living and unemployment will focus the people's attention on other issues more vital to their lives. Nor has the choice of the new Slovak Prime

Minister simplified the situation. Despite the well-known propaganda crusade waged by part of the Czech press against V. Meciar, the popularity of this Slovak politician was recently growing in the Czech lands as well. On the eve of his recall V. Meciar's prestige in the Czech lands was 1.6 times higher than J. Carnogursky's popularity. It will be hard in the Czech lands to give the present Slovak prime minister the image of a politician interested in preserving the federation. Thus far it seems that the attack against V. Meciar breached one of the few fronts of the federation's defense. Curbing the growth of the influence of Czech separatism is possible only on condition that the economic functions of the federation are restricted. But insuring that this does not happen under the pressure of interests of the republican bureaucrats hiding behind national phraseology is possible only when there is an effort to systematically smash the cult of statism in its present official form and an equally systematic effort to introduce a market economy with a genuine freedom of enterprise. But it is not possible to divest the federation of the right to democratically decide also on development programs managed from the center for lagging regions—that is, without a certain redistribution.

Rebuilding our society with the help of doctrines of utopian capitalism, however, injects into society far too much individualism placing the individual outside society, above society or against society. There is no way on the basis of social-darwinist ethics that the ideals or illusions of internationalism and brotherhood of nations can be replaced. For this it is necessary to understand that the source of statehood is first of all the individual with his human rights. He is the foundation of a modern nation. And a nation is only part of the human community. It would be hard to imagine a healthy program of federation renewal without humanism which values the

individual as much as the social whole. And without having Czechs talk about Czech nationalism and separatism and Slovaks and Slovak nationalism and separatism.

#### Export Restrictions To Be Eased for Tourists

AU1007072791 Prague HOSPODARSKE NOVINY  
in Czech 8 Jul 91 p 1

[Report by "do": "Easier Export"]

[Text] It is a feat by HOSPODARSKE NOVINY to have learned that the Central Customs Administration is preparing a small but pleasant surprise to take effect 15 July: As of that date, certain measures will be invoked that would simplify exports of goods accompanying tourists and those that are mailed. Although the ban on exports of antiquities will remain in effect, the list of goods for which special export permission is needed would be narrowed down to fuel in spare canisters, food and food products with the exception of beer, goods made of gold or silver, and onion-pattern china.

At the same time, the Central Customs Administration will reduce the administration fee collected for the issue of the export permit by one-half. However, this reduction does not include the onion-pattern [china].

The customs will assess and collect administration fees of 20 percent for issuing the export permit for other categories of goods unless edict No. 570/1990 sets lower fees.

The present measures taken by the Central Customs Administration are temporary in character. They will be in effect until an amendment to the edict of the Federal Ministry of Foreign Affairs No. 41/1985 on retail exports and imports of goods is completed.

**Financial Institutions 1990 Performance Analyzed****Banking Industry Record***91CH0690A Budapest FIGYELO in Hungarian  
6 Jun 91 p 39*

[Article by Ivan Wiesel: "Bank Top List"]

[Text] This is the first opportunity that FIGYELO has had to rank the financial institutions of the country, in addition to ranking industrial and commercial enterprises. The analysis reflects conditions as of 31 December 1990. The compilation includes the most important data of financial institutions (specifically, banks, except for the Hungarian National Bank, brokerages and insurance companies) which are independent legal entities, and which are obligated to prepare their own financial statements. The assessment is based on official data and contains a comparative 1989/1990 performance analysis of financial institutions. The 50 largest banks were examined.

Originally, we intended to rank various business organizations (industrial enterprises, agricultural plants, commercial firms, and financial institutions) based on a single, uniform criterion (parameter). We felt that the amount of sales revenues of each individual business unit would be the most suitable criterion to serve as the basis of ranking.

However, the activities pursued by financial institutions differ from those which the rest of the business organizations are engaged. For this reason, and because financial institution sales revenues consist of interest earned and commissions, and as such do not reflect sales but instead the gross income part of sales revenues, it would be inappropriate to rank financial institutions based on their sales revenues. We thus chose the amount of the main balance as the parameter. This value is used in various international ranking endeavors as the criterion to qualify the performance of financial institutions. Professional writings regard the main balance amount as the best indicator for the gross accomplishment of banks. The data examined were based on official financial statements prepared by banks, consistent with Hungarian accounting requirements applicable in 1989 and in 1990.

The financial institution top list was prepared on the basis of 1990 data; wherever possible, these were compared with 1989 data. The role of foreign capital within each specialized branch is dealt with separately.

**320 Commercial Banks**

It may come as a surprise that according to statistical records 320 banks of a commercial character were functioning as of 31 December 1990. One should note here that this large number resulted from the fact that each regional savings cooperative was shown as an independent bank. The combined total amount of the main balances of these savings cooperatives amounted to

2.163 trillion forints. A substantial development took place in 1990 in the banking sphere as compared to 1989: 26 new banks were formed (reflecting a growth rate of 8.1 percent). Several foreign banks are among the new banks.

The assets owned by the 320 banks amounted to 128 billion forints in 1990, as compared to 96.3 billion forints in 1989, i.e., the total value of assets owned by banks increased in 1990 by 31.7 billion forints or 33 percent. The fact that the percentage growth of assets was faster than that of the main balance is a favorable sign. It means that the stability of banks improved in 1990. The 1990 ratio between the main balance amounts of, and assets owned by banks was 1:0.0059, while the same ratio was 1:0.0055 in 1989.

The forceful development of the banking branch within the national economy in 1990 reflects the development of the money market. In 1990 the banking sector realized a gross income of 66.8 billion forints, 12.9 billion forints more than in 1989. The growth amounts to 24.1 percent. The fact that last year a close relationship evolved between the growth of the main balance amount and the income should be of interest, and therefore the average ratio of income versus the main balance amount was 3.1 percent in 1989 and in 1990.

In 1990 banks employed in an average 34,750 people, while in 1989 they had only 23,106 employees. Accordingly, between 1989 and 1990 the number of employees increased by 49.6 percent. A total of 80.6 percent of the average number of employees worked for the 50 banks we analyzed, while in 1989 the same percentage was 95.9. It then follows that the increase in number of employees at banks shown in the table on the reverse side of this page [second related article herein] amounted to 25.7 percent in 1990, i.e., it was substantially lower than in the banking sphere as a whole.

In 1990, taxed income amounted to 42.2 billion forints as compared to 26.4 billion forints in 1989. This means that profits earned by banks increased by 59.9 percent over 1989 profit levels. In 1990, banks contributed to the state budget 24.6 billion forints, while the same figure in 1989 was 27.5 billion forints, reflecting a 10.5-percent decrease.

There is a one-year lapse with respect to dividends because the related data became available only after the general meetings of banks at which financial statements were approved. Dividends shown in the table represent the amounts planned to be paid out by banks, of which the already paid out dividend amount was deducted.

The foreign capital share in the banking sphere amounted to 11.4 billion forints in 1990, i.e., owners other than Hungarian persons possessed 8.9 percent of all bank assets. The extent of privatization and the influx of foreign capital was not definitive in the banking sphere last year. The number of wholly foreign owned banks was minimal in 1990. From among the largest 50 banks only two (the Central European Credit Bank, Inc.



and Kulturbank, Inc.) were wholly foreign owned, and from among the ten largest banks only three were partly foreign owned (Central European International Bank: 66 percent; Postabank Inc.: 16.9 percent; Inter-Europa Bank: 22.5 percent).

### The 50 Club

In 1990 the 50 largest banks represented 15.6 percent of all banks. The same ratio was 17 percent in 1989. Accordingly, concentration diminished somewhat in 1990. The 50 banks subject to analysis represented 96.8 percent of the total combined main balance amounts in 1990; the decline is an insignificant 0.4 percent as compared to 1989. Within this group of banks the amount of main balances increased by 24.6 percent as compared to 1989, i.e., the increase was slower than in the banking sphere as a whole. This indicates that small banking units accomplished a dynamic growth in 1990. The income of the 50 banks was higher by a moderate 0.4 percent than that of the banking sphere as a whole. The assets of the 50 banks also increased 1.5-percent faster than the assets of the banking sphere as a whole.

We also examined the 50 largest banks of 1990 in groups of ten, so as to obtain an even more accurate picture.

The ten largest banks represented 87 percent of the main balance amounts in 1990. Accordingly, the degree of concentration is extremely high, despite the fact that several new banks were established in the course of the year.

Since the 50 largest banks represented 96.8 percent of the main balance amounts, the remaining 270 banks made up the remaining 3.2 percent of the main balance amounts.

The fact that the 10 largest banks represented 87 percent of the total combined amounts of main balances well indicates the small influence exerted by so-called small and medium-sized banks in the banking sphere as a whole.

The ten largest banks of 1990 were not the same banks as those in 1989, even though no change took place in the first seven positions. But Postabank advanced one step in the ranking, and Inter-Europa bank joined the "Club of Ten." Postabank and Inter-Europa Bank were the two most dynamic banks in 1990.

### The 50 Largest Banks in Groups of 10 (1990)

Group	Main Balance (in millions of forints)	Percentage Share
First ten	1,880,977	87.0
Second ten	140,349	6.5
Third ten	51,014	2.3
Fourth ten	12,802	0.6
Fifth ten	8,473	0.4
Total	2,093,615	96.8
Total for 320 banks	2,162,658	100.0

### The Ten Largest Hungarian Banks (1990)

Rank		Designation	Main Balance (millions of forints)		1990/1989 percent ratio	Percentage Share	
1990	1989		1990	1989		1990	1989
1	1	National Savings Bank	558,252	471,951	118.3	29.7	30.5
2	2	State Institute for Development	407,370	351,921	115.8	21.6	22.7
3	3	Hungarian Credit Bank, Inc.	256,342	220,847	116.1	13.6	14.3
4	4	Hungarian Foreign Trade Bank, Inc.	229,987	187,113	122.9	12.2	12.1
5	5	National Bank of Commerce and Credit, Inc.	191,506	142,672	134.2	10.2	9.2
6	6	Budapest Credit and Development Bank	103,360	89,730	115.2	5.5	5.8
7	7	Central European International Bank	43,354	38,272	113.3	2.3	2.5
8	9	Postabank, Inc.	41,079	17,198	238.9	2.2	1.1
9	12	Inter-Europa Bank, Inc.	25,040	11,574	216.3	1.4	0.7
10	10	Hungarian Savings Cooperative Bank	24,687	16,919	145.9	1.3	1.1
Total			1,880,977	1,548,197	121.5	100.0	100.0

Heavy concentration exists within the ten largest banks. The four largest banks represented 87.3 percent of the combined main balance amounts of the ten largest banks. This represents a small change as compared to the 88.8 percent recorded in 1989.

The share of individual banks in the second group of 10 largest banks is substantially more level. In this group of banks we find two important changes: Citibank's main balance in 1990 amounted to only 76.3 percent of the 1989 amount. Therefore, Citibank dropped from the 8th

position it held in 1989 to the 14th position. The other change is the fact that Creditanstalt, Inc. and Investrade Commercial and Investment, Inc., both in their first year of operation, were placed 15th and 18th respectively on the 1990 top list.

The third and fourth group of ten banks included specialized banks, which could be regarded as medium sized banks, both in 1989 and in 1990. In general, these kinds of banks fall within these two groups of ten banks.

We also prepared a table of the 50 largest banks in groups of 10 based on their assets.

The volume of assets held by the 50 largest banks is also definitive, because banks not included among the 50 largest banks held only 3.4 percent of the assets in 1990—a drop from the 4.8 percent recorded in 1989. At the same time the reduction in the volume of assets held by the 10 largest banks is noteworthy. This occurred because the second, third, and fourth group of 10 banks were able to forcefully increase their own assets. The fact that in the fifth group of 10 banks a certain loss of assets occurred in 1990 should raise some concern.

**Assets of the 50 Largest Banks in Groups of 10 (1990)**

Group	1990	1989	1990/1989 percentage ratio	1990	1989
	(millions of forints)			Market Share	
First ten	84,996	68,396	124.2	66.3	71.0
Second ten	20,496	11,674	175.6	16.0	12.2
Third ten	14,579	10,591	138.0	11.4	10.9
Fourth ten	3,335	764	436.5	2.6	0.8
Fifth ten	294	302	97.4	0.2	0.3
Total for 50 banks	123,670	91,727	134.8	96.6	95.2
Total for the remaining 270 banks	4,406	4,578	96.2	3.4	4.8
Grand total	128,076	96,305	133.0	100.0	100.0

The following percentages evolved in 1990 as far as gross income was concerned:

First group of 10: 82 percent; Second group of 10: 10.1 percent; Third group of 10: 5.6 percent; and the fourth and fifth groups of ten combined: 0.2 percent. The 50 banks produced 98.4 percent of all gross income. This leaves 1.6 percent of the gross income to the remaining 270 banks. In 1989, the 50 largest banks produced 96.4 percent of the income. This means that concentration of income has increased in 1990.

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A few comments must be added to the top list:

- In 1990 the development of the banking sphere was accompanied by significant inflation.
- Within the money sphere, 1990 was the year of founding new banks, several new banks came into being.

—Banking activities continued to be impeded by the mutual indebtedness of enterprises.

—Central bank policies increasingly limited the development of financial institutions.

—No real competition has evolved among banks; in more accurate terms, competition focused primarily on acquiring resources.

—The state, as an owner, strongly restricted dividend policies pursued by banks; and

—Privatization processes in the banking sphere were not forceful, and the state share of ownership was predominant particularly with respect to the 10 largest banks.

#### **50 Largest Banks Ranked**

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6 Jun 91 pp 40-41

[Untitled article by Ivan Wiesel]

[Text]

**1990 Ranking of the 50 Largest Commercial Banks (not including the Hungarian National Bank; in Millions of Forints)**

Ranking		Name of Bank	Main Balance			Gross Income		
1990	1989		1990	1989	90/89 Ratio	1990	1989	90/89 Ratio
1	1	National Savings Bank Enterprise	558,252	471,951	118.3	18,510	16,345	113.2
2	2	State Institute for Development	407,370	351,921	115.8	161	264	61.2
3	3	Hungarian Credit Bank, Inc.	256,342	220,847	116.1	9,139	8,890	102.8
4	4	Hungarian Foreign Trade Bank, Inc.	229,987	187,113	122.9	8,455	6,847	123.5
5	5	National Bank of Commerce and Credit, Inc.	191,506	142,672	134.2	8,018	6,351	126.2
6	6	Budapest Credit and Development Bank, Inc.	103,360	89,730	115.2	5,136	3,805	135.0
7	7	Central European International Bank, Inc.	43,354	38,272	113.3	1,398	911	153.6
8	9	Postabank and Savings Union, Inc.	41,079	17,198	238.9	1,747	1,065	164.0
9	12	Inter-Europa Bank, Inc.	25,040	11,574	216.3	1,293	695	185.9
10	10	Hungarian Savings Cooperative Bank, Inc.	24,687	16,919	145.9	957	476	201.1
11	11	Unicbank, Inc.	21,616	12,689	170.3	778	549	141.6
12	18	Central European Credit Bank, Inc.	17,394	7,052	246.7	809	228	354.5
13	13	Agrarian Innovation Bank, Inc.	16,057	10,655	150.7	465	411	113.2
14	8	Citibank Budapest Inc.	15,351	20,114	76.3	1,235	1,068	115.6
15	—	Creditanstalt, Inc.	15,334	0	—	367	0	—
16	14	National Financial Institution of Agricultural Cooperatives, Inc.	14,351	8,791	163.2	849	405	209.6
17	15	General Securities Trading Bank	14,105	8,570	164.6	446	283	157.8
18	—	Investtrade International Commercial and Investment Corporation, Inc.	9,227	0	—	418	0	—
19	22	Consumption Cooperative Bank, Inc.	8,680	4,589	189.2	643	309	208.1
20	17	General Entrepreneurial Bank, Inc.	8,234	7,091	116.1	758	574	132.0
21	16	Industrial Development Bank, Inc.	7,613	7,152	106.4	744	540	137.8
22	—	Real Estate Bank, Inc.	7275	0	—	110	0	—
23	20	Duna Investment and Sales Bank, Inc.	6,675	5,050	132.2	335	121	277.8
24	21	Central Corporation of Banking Companies	6,188	5,016	123.4	560	571	98.0
25	—	Merkantil Exchange and Investment Bank, Inc.	5,209	0	—	22	0	—
26	19	Realbank	4,767	6,800	70.1	297	54	550.2
27	24	Industrial Cooperative Development Bank, Inc.	4,169	3,858	108.1	509	314	162.4
28	26	Ybl Construction Industry Innovation Bank, Inc.	3,371	2,224	151.6	495	410	120.7
29	—	Kulturbank, Inc.	3,110	0	—	286	0	—
30	25	Investbank Technical Development Bank, Inc.	2,637	2,401	109.8	370	326	113.3
31	27	Innofinance General Innovation Financial Institution, Inc.	2,137	1,619	132.1	5	18	30.3
32	—	Leumi-Credit Bank, Inc.	1,950	0	—	7	0	—
33	35	Endrod & Vicinity Savings Cooperative	1,250	716	174.5	7	8	91.9
34	—	Girozentrale Investment, Inc.	1,209	0	—	69	0	—
35	29	Mohacs & Vicinity Savings Cooperative	1,173	937	125.3	11	13	86.3
36	28	Hatvan & Vicinity Savings Cooperative	1,068	958	111.5	8	18	42.2
37	—	Gamex Gambling and Investment Ltd.	1,059	0	—	92	0	—
38	261	Lupis Investment House, Inc.	994	95	1042.1	39	12	314.9
39	—	Portfolio Bank Property Management Investment and Privatization Inc.	986	0	—	47	0	—
40	30	Andras Fay Savings Cooperative	976	888	110.0	24	17	137.5

**1990 Ranking of the 50 Largest Commercial Banks (not including the Hungarian National Bank; in Millions of Forints)  
(Continued)**

Ranking		Name of Bank	Main Balance			Gross Income		
1990	1989		1990	1989	90/89 Ratio	1990	1989	90/89 Ratio
41	33	Dorog & Vicinity Savings Cooperative	939	783	119.9	2	16	14.1
42	31	Szoreg & Vicinity Savings Cooperative	910	838	108.6	6	19	33.9
43	—	First Domestic Factoring House and Financial Services Ltd.	864	0	—	83	0	—
44	39	Rakamaz & Vicinity Area Savings Cooperative	862	677	127.4	9	36	25.6
45	32	Rona Region Savings Cooperative	843	791	106.5	9	16	54.2
46	34	Nagykuta & Vicinity Savings Cooperative	840	772	108.8	10	12	88.7
47	40	Pilisvorosvar & Vicinity Savings Cooperative	832	663	125.6	14	12	121.5
48	46	Orgovany & Vicinity Savings Cooperative	794	599	132.6	11	14	81.6
49	45	Bakony Area Savings Cooperative	788	617	127.7	13	12	107.3
50	37	Kapolnasnyek & Vicinity Savings Cooperative	781	693	112.7	13	10	129.3

Rank	Name of Bank	Income/Main Balance		Average Staff Size			Taxed Income		
		1990	1989	1990	1989	90/89 Ratio	1990	1989	90/89 Ratio
1	National Savings Bank Enterprise	3.3	3.5	14,033	12,325	113.9	10,618	7,036	150.9
2	State Institute for Development	0.0	0.1	204	209	97.6	53	54	97.7
3	Hungarian Credit Bank, Inc.	3.6	4.0	3,623	2,831	128.0	5,581	4,193	133.1
4	Hungarian Foreign Trade Bank, Inc.	3.7	3.7	878	576	152.4	5,033	3,156	159.5
5	National Bank of Commerce and Credit, Inc.	4.2	4.5	3,184	2,587	123.1	4,803	2,930	163.9
6	Budapest Credit and Development Bank, Inc.	5.0	4.2	1,772	1,274	139.1	3,064	1,751	175.0
7	Central European International Bank, Inc.	3.2	2.4	211	178	118.5	1,334	859	155.4
8	Postabank and Savings Union, Inc.	4.3	6.2	506	296	170.9	1,236	677	182.6
9	Inter-Europa Bank, Inc.	5.2	6.0	149	71	209.9	1,293	581	222.4
10	Hungarian Savings Cooperative Bank, Inc.	3.9	2.8	171	0	—	565	217	259.8
11	Unicbank, Inc.	3.6	4.3	78	72	108.3	629	479	131.2
12	Central European Credit Bank, Inc.	4.6	3.2	0	0	—	687	228	301.3
13	Agrarian Innovation Bank, Inc.	2.9	3.9	454	275	165.1	278	190	145.9
14	Citibank Budapest Inc.	8.0	5.3	82	0	—	926	854	108.4
15	Creditanstalt, Inc.	2.4	0.0	26	0	—	367	0	—
16	National Financial Institution of Agricultural Cooperatives, Inc.	5.9	4.6	216	118	183.1	506	242	209.3
17	General Securities Trading Bank	3.2	3.3	207	175	118.3	281	128	219.0
18	Investtrade International Commercial and Investment Corporation, Inc.	4.5	0.0	22	0	—	418	0	—
19	Consumption Cooperative Bank, Inc.	7.4	6.7	119	0	—	392	143	274.0
20	General Entrepreneurial Bank, Inc.	9.2	8.1	94	78	120.5	455	265	171.7
21	Industrial Development Bank, Inc.	9.8	7.5	71	0	—	452	249	181.1
22	Real Estate Bank, Inc.	1.5	0.0	64	0	—	110	0	—

Rank	Name of Bank	Income/Main Balance		Average Staff Size			Taxed Income		
		1990	1989	1990	1989	90/89 Ratio	1990	1989	90/89 Ratio
23	Duna Investment and Sales Bank, Inc.	5.0	2.4	120	40	300.0	218	56	390.6
24	Central Corporation of Banking Companies	9.0	11.4	335	280	119.6	556	452	123.1
25	Merkantil Exchange and Investment Bank, Inc.	0.4	0.0	39	0	—	13	0	—
26	Realbank	6.2	0.8	30	0	—	216	25	862.5
27	Industrial Cooperative Development Bank, Inc.	12.2	8.1	64	0	—	312	145	215.4
28	YBL Construction Industry Innovation Bank, Inc.	14.7	18.5	110	71	154.9	298	190	156.9
29	Kulturbank, Inc.	9.2	0.0	18	0	—	256	0	—
30	Investbank Technical Development Bank, Inc.	14.0	13.6	33	0	—	222	151	147.5
31	Innofinance General Innovation Financial Institution, Inc.	0.2	1.1	28	0	—	4	10	42.2
32	Leumi-Credit Bank, Inc.	0.4	0.0	30	0	—	5	0	—
33	Endrod & Vicinity Savings Cooperative	0.6	1.1	69	61	113.1	5	4	111.0
34	Girozentrale Investment, Inc.	5.7	0.0	6	0	—	47	0	—
35	Mohacs & Vicinity Savings Cooperative	1.0	1.4	56	48	116.7	11	7	167.3
36	Hatvan & Vicinity Savings Cooperative	0.7	1.9	77	70	110.0	5	11	48.4
37	Gamex Gambling and Investment Ltd.	8.7	0.0	3	0	—	63	0	—
38	Lupis Investment House, Inc.	3.9	13.0	9	0	—	27	8	358.2
39	Portfolio Bank Property Management Investment and Privatization Inc.	4.7	0.0	7	0	—	25	0	—
40	Andras Fay Savings Cooperative	2.4	1.9	37	0	—	14	8	170.6
41	Dorog & Vicinity Savings Cooperative	0.2	2.1	82	81	101.2	2	8	20.0
42	Szoreg & Vicinity Savings Cooperative	0.7	2.2	86	67	128.4	5	10	51.8
43	First Domestic Factoring House and Financial Services Ltd.	9.7	0.0	3	0	—	50	0	—
44	Rakamaz & Vicinity Area Savings Cooperative	1.1	5.4	101	94	107.4	6	20	30.9
45	Rona Region Savings Cooperative	1.0	2.0	51	0	—	6	9	64.5
46	Nagykatas & Vicinity Savings Cooperative	1.2	1.5	63	57	110.5	7	7	100.3
47	Pilisvorosvar & Vicinity Savings Cooperative	1.7	1.7	52	48	108.3	9	7	137.9
48	Orgovany & Vicinity Savings Cooperative	1.4	2.3	60	48	125.0	7	8	82.4
49	Bakony Area Savings Cooperative	1.7	2.0	60	62	96.8	9	7	123.4
50	Kapolnasnyek & Vicinity Savings Cooperative	1.6	1.4	60	63	95.2	8	5	157.4

Rank	Name of Bank	Dividend Paid			Assets			Income/Employee		Foreign Participation	
		1990	1989	90/89 Ratio	1990	1989	90/89 Ratio	1990 (thousand of forints)	1989 (thousands of forints)	(millions of forints)	Percentage
1	National Savings Bank Enterprise	0	0	—	16,670	471,951	165.3	1,319	1,326	0	0.0
2	State Institute for Development	0	0	—	2,422	351,921	163.5	792	1,262	0	0.0
3	Hungarian Credit Bank, Inc.	1987	2517	79.0	19,376	220,847	106.1	2,522	3,140	0	0.0
4	Hungarian Foreign Trade Bank, Inc.	926	840	110.2	11,343	187,113	142.8	9,630	11,888	0	0.0
5	National Bank of Commerce and Credit, Inc.	1,847	1,315	140.5	15,563	142,672	108.9	2,518	2455	0	0.0
6	Budapest Credit and Development Bank, Inc.	963	0	—	8,366	89,730	108.2	2,899	2,987	0	0.0
7	Central European International Bank, Inc.	0	0	—	2,276	38,272	104.3	6,627	5,115	1,217	66.0
8	Postabank and Savings Union, Inc.	521	295	176.5	4,539	17,198	186.6	3,452	3,599	650	16.3
9	Inter-Europa Bank, Inc.	0	0	—	3,192	11,574	109.2	8,678	9,795	632	22.5
10	Hungarian Savings Cooperative Bank, Inc.	0	0	—	1,218	16,919	114.6	5,596	0	0	0.0
11	Unicbank, Inc.	150	120	125.0	1,696	12,689	133.9	9,972	7,631	450	45.0
12	Central European Credit Bank, Inc.	541	170	318.2	1,096	7,052	107.9	0	0	1,000	100.0
13	Agrarian Innovation Bank, Inc.	165	135	122.2	1,615	10,655	105.8	1,024	1,493	0	0.0
14	Citibank Budapest Inc.	0	0	—	1,000	20,114	100.0	15,062	0	800	80.0
15	Creditanstalt, Inc.	0	0	—	1,697	0	—	14,128	0	1,050	75.0
16	National Financial Institution of Agricultural Cooperatives, Inc.	331	198	166.8	2,396	8,791	101.2	3,933	3,435	0	0.0
17	General Securities Trading Bank	0	0	—	1,150	8,570	109.8	2,154	1,615	500	50.0
18	Investtrade International Commercial and Investment Corporation, Inc.	0	0	—	6,308	0	—	18,987	0	3,154	50.0
19	Consumption Cooperative Bank, Inc.	171	126	135.5	1,084	4,589	102.9	5,403	0	0	0.0
20	General Entrepreneurial Bank, Inc.	264	220	120.0	2,454	7,091	102.3	8,064	7,364	0	0.0
21	Industrial Development Bank, Inc.	314	150	209.4	3,399	7,152	104.7	10,481	0	0	0.0
22	Real Estate Bank, Inc.	0	0	—	1,298	0	—	1,717	0	0	0.0

Rank	Name of Bank	Dividend Paid			Assets			Income/Employee		Foreign Participation	
		1990	1989	90/89 Ratio	1990	1989	90/89 Ratio	1990 (thousand of forints)	1989 (thousands of forints)	(millions of forints)	Percentage
23	Duna Investment and Sales Bank, Inc.	0	0	—	1,324	5,050	124.4	2,794	3,017	0	
24	Central Corporation of Banking Companies	0	0	—	2,438	5,016	122.3	1,671	2,039	0	0.0
25	Merkantil Exchange and Investment Bank, Inc.	75	0	—	775	0	—	559	0	0	0.0
26	Realbank	151	18	862.5	731	6,000	100.6	9,000	0	0	0.0
27	Industrial Cooperative Development Bank, Inc.	138	107	128.8	1,081	3,858	101.0	7,954	0	0	0.0
28	Ybl Construction Industry Innovation Bank, Inc.	171	109	156.2	1,253	2,224	101.5	4,502	5,780	0	0.0
29	Kulturbank, Inc.	0	0	—	1,000	0	—	15,889	0	1,000	100.0
30	Investbank Technical Development Bank, Inc.	124	123	100.6	1,281	2,401	102.9	11,204	0	0	0.0
31	Innofinance General Innovation Financial Institution, Inc.	0	0	—	576	1,619	101.6	191	0	0	0.0
32	Leumi-Credit Bank, Inc.	0	0	—	1,300	0	—	249	0	650	50.0
33	Endrod & Vicinity Savings Cooperative	0	0	—	41	716	122.2	105	129	0	0.0
34	Girozentrale Investment, Inc.	0	0	—	257	0	—	11,436	0	140	70.0
35	Mohacs & Vicinity Savings Cooperative	0	0	—	49	937	118.4	200	270	0	0.0
36	Hatvan & Vicinity Savings Cooperative	0	0	—	50	958	108.3	101	263	0	0.0
37	Gamex Gambling and Investment Ltd.	30	0	—	30	0	—	30,571	0	15	50.0
38	Lupis Investment House, Inc.	17	4	383.5	24	95	106.9	4,342	0	11	43.8
39	Portfolio Bank Property Management and Privatization Inc.	0	0	—	945	0	—	6,662	0	0	0.0
40	Andras Fay Savings Cooperative	0	0	—	64	888	117.5	638	0	0	0.0
41	Dorog & Vicinity Savings Cooperative	0	0	—	32	783	157.4	28	200	0	0.0
42	Szoreg & Vicinity Savings Cooperative	0	0	—	18	838	96.0	74	280	0	0.0

Rank	Name of Bank	Dividend Paid			Assets			Income/Employee		Foreign Participation	
		1990	1989	90/89 Ratio	1990	1989	90/89 Ratio	1990 (thousand of forints)	1989 (thousands of forints)	(millions of forints)	Percentage
43	First Domestic Factoring House and Financial Services Ltd.	0	0	—	1	0	—	27,785	0	0	0.0
44	Rakamaz & Vicinity Area Savings Cooperative	0	0	—	36	677	72.4	92	388	0	0.0
45	Rona Region Savings Cooperative	0	0	—	42	791	112.9	167	0	0	0.0
46	Nagykata & Vicinity Savings Cooperative	0	0	—	39	772	117.1	162	202	0	0.0
47	Pilisvorosvar & Vicinity Savings Cooperative	0	0	—	35	663	116.2	270	240	0	0.0
48	Orgovany & Vicinity Savings Cooperative	0	0	—	15	599	35.8	189	289	0	0.0
49	Bakony Area Savings Cooperative	0	0	—	37	617	105.5	222	201	0	0.0
50	Kapolnasnyek & Vicinity Savings Cooperative	0	0	—	36	693	112.9	213	157	0	0.0

### Brokerages

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[Untitled article by Ivan Wiesel]

[Text] Various stock brokerages and agencies are a new feature in the Hungarian financial system. This business line was established in 1990; individual firms were established at various points in time in the course of the year. This renders a comprehensive analysis of their activities very difficult.

The activities of stock brokerages and agencies are closely tied to, and convey all the problems involved in the establishment and development of the Budapest stock exchange. Only a very few enterprises were listed thus far on the stock exchange, but several enterprises were awaiting to be listed. Once listed, the activities of brokerages are likely to be pursued in an appropriate framework.

At present 12 brokerages operate in Hungary, and this number permits the review of all of them.

Although first year performances must not be used as a yard stick, a few correlations deserve mention. The main balance amount versus sales per individual employee ratio with regard to agent, advisory and sales activities is rather high: It amounts to 17 million forints. In due regard to initial problems, the profit level was low: It amounts to 2.08 percent of the main balance figure.

Due to the type of activity involved, the value of assets owned by these firms is low. It amounts to 41.7 million forints in the average, while the minimum mandated value of assets at other financial institutions is 1 billion forints.

Last year's data reveals that sales consummated by brokerages were highly concentrated, because 70 percent of the main balance amount was transacted by three firms. The OTP [National Savings Bank] Securities Agency—the leading firm—transacted 43 percent of the business.

### Ranking of Brokerages Based on 1990 Main Balance Amounts

Rank	Name of Institution	Main Balance Amount (millions of forints)	Assets (millions of forints)	Income	Number of Employees
1	OTP Securities Agency, Ltd.	606	50	11	3
2	Anker Securities Agency, Inc.	240	50	2	2
3	First German Securities in Hungary, Ltd.	219	109	14	1



**Ranking of Brokerages Based on 1990 Main Balance Amounts (Continued)**

Rank	Name of Institution	Main Balance Amount (millions of forints)	Assets (millions of forints)	Income	Number of Employees
4	Hungarobroker Securities Trading and Agency, Ltd.	65	50	3	5
5	Confides and Partners Hungaria Brokerhouse, Inc.	60	50	6	2
6	AB. Moneta Investment and Advisory, Ltd.	57	50	1	2
7	MID-Broker Securities, Ltd.	52	51	- 3	5
8	Landesbank Broker Budapest Securities Trading, Ltd.	50	51	- 2	39
9	Nordine First Hungarian-Finnish Securities, Inc.	17	15	0	1
10	Generalbroker Securities Trading and Advisory, Ltd.	13	9	- 1	1
11	Risk Stock Exchange Agency, Ltd.	11	10	- 1	1
12	Szenzor-Broker Securities Trading and Advisory, Ltd.	5	5	- 3	20
Total:		1,395	500	27	82

Distribution of capital invested is relatively even, because the assets of most firms amount to 50 million forints, and the assets of only one firm—First German Securities in Hungary, Ltd.—amount to 109 million forints. No correlation can be made between the size of assets and the main balance amount achieved based on 1990 data, nor can any relationship be established

between assets and income. The economic content of the main balance as a basis of evaluation is weaker at brokerages than at the rest of the financial institutions, because the business of brokerages is linked primarily to counseling and commission agent activities. For this reason, the ranking based on sales revenues is quite different from ranking based on the main balance.

**Gross Revenues in 1990**

Rank	Name of Institution	(millions of forints)
1	First German Securities in Hungary, Ltd.	49
2	OTP Securities Agency, Ltd.	40
3	Confides and Partners Hungaria Brokerhouse, Inc.	14
4	Anker Securities Agency, Inc.	12
5	AB. Moneta Investment and Advisory, Ltd.	6
6	Nordine First Hungarian-Finnish Securities, Inc.	4
7	Hungarobroker Securities Trading and Agency, Ltd.	2
8	Szenzor-Broker Securities Trading and Advisory, Ltd.	2
9	Landesbank Broker Budapest Securities Trading, Ltd.	2
10	MID-Broker Securities, Ltd.	2
11	Generalbroker Securities Trading and Advisory, Ltd.	0
12	Risk Stock Exchange Agency, Ltd.	0
Total:		134

There was a wide spread of income in 1990: 37 million forints in profits were realized by six firms, while the other six closed with a 10-million-forint loss.

fact that the firms have not yet filled the positions they established.

The number of employees was maintained at a relative low level. One may presume that this resulted from the

The significant role played by foreign capital in this sector must be dealt with separately.

## Foreign Owned Brokerages and Brokerages Operating With Foreign Capital (1990)

Rank	Name of Firm	Main Balance (millions of forints)	Total Assets (millions of forints)	Foreign Assets	Income	Percent of Foreign Share
1	Anker Securities Agency, Inc.	240	50	48	2	96
2	First German Securities in Hungary, Ltd.	219	109	109	14	100
3	Hungaro-Broker Securities Trading and Advisory Inc. [as published]	65	50	5	3	10
4	Confides and Partners Hungaria Brokerhouse, Inc.	60	50	25	6	50
5	Landesbank Broker Budapest Securities Trading, Ltd.	50	51	51	- 2	100
6	Nordine First Hungarian-Finnish Securities, Inc.	17	16	8	0	50
7	Generalbroker Securities Trading and Advi- sory, Ltd.	13	10	3	- 1	50
8	Risk Stock Exchange Agency, Ltd.	11	10	7	0	30
Total:		675	346	256	22	73

Foreign capital has been present in varying degrees in most—67 percent—of the brokerages. Three firms are wholly foreign owned. The reason for this large scale foreign ownership participation is that during the past decades this profession had become extinct in Hungary. In addition, little capital is needed to establish a brokerage, and—if business is good—return on capital is quick. This is why foreign capital is interested in becoming part of the Hungarian securities market.

Foreign capital constituted 50.8 percent of all assets owned by brokerages in 1990. This ratio was much higher 73 percent at firms with direct foreign capital participation.

Firms involving foreign capital provided 48 percent of the total main balance amount, this is proportionate to the share of assets contributed by foreigners.

The fact that in the ranking of brokerages the OTP Securities Agency is followed by two wholly foreign owned brokerages is noteworthy. These occupy the No. 2 and No. 3 slots in the ranking.

The total profits of wholly foreign owned brokerages or of brokerages operating with foreign capital amounted to 22 million forints. Only two firms showed losses amounting to 3 million forints. Seventy-six percent of the total net profits were earned by the enterprises examined. This indicates that the profitability level of these firms is developing favorably.

## Insurance Companies

91CH0690D Budapest FIGYELO in Hungarian  
6 Jun 91 p 42

[Untitled article by Ivan Wiesel]

[Text] Only four insurance companies operated in Hungary in 1989. The State Insurance Company and the Hungaria Insurance Company dominated this market. Five new companies were established in 1990 and a

forceful expansion may be seen even today in the insurance business. Despite this fact, the continued superior strength of these two large insurance companies is visible. Their performance represented 88 percent of the total main balance amount of all insurance companies. We should note here that competition had a beneficial effect on these two insurance companies. Compared to 1989, the amount of their main balance increased by 31.6 percent, even though their growth fell far behind the 138.8-percent growth rate achieved by their newly emerged competitors. The "starting effect" played a role in this regard of course; in general, the presence of new insurance companies in the market expanded sales by 38.8 percent. This reflects a rather favorable developmental trend even if we take inflation into consideration.

The income versus main balance ratio was 1.21 percent in 1989. The percentage in 1990 was 1.45. This indicates that the specific profitability of insurance activities has improved despite the competition that can be seen in the market.

With the emergence of new insurance companies, total 1990 assets held by insurance companies increased by 42.7 percent over the corresponding 1989 level.

The stability of the insurance system is well demonstrated by the fact that the assets versus main balance ratio rose to 19 percent in 1990, from the 1989 ratio of 18.5 percent. The value of this index is affected by the fact that the mandatory basic capital of new insurance companies, except for the L + P International Insurance Agency, amounted to about 1 billion forints, and their activities—their main balances—did not reach, or just barely reached the sum of their basic capital in the starting year.

The number of persons employed by insurance companies rose by 7 percent in 1990. This suggests that the efficiency of activities has improved in the course of the year. This indicates that the 1989 income per employee has risen to 85,000 forints by 1990; i.e., it increased by 54.5 percent during the year.

**Significant Data Pertaining to Insurance Companies (1989-90)**

Rank	Name of Company	Main Balance (millions of forints)		Assets (millions of forints)		Income		Number of Employees	
		1989	1990	1989	1990	1989	1990	1989	1990
1	State Insurance Company, Inc.	29,655	34,992	3,349	3,212	10	325	6,182	6,147
2	Hungaria Insurance Company, Inc.	11,644	19,357	3,710	4,459	371	29	3,499	3,919
3	Garancia Insurance Company, Inc.	1,572	1,979	1,041	1,021	47	209	142	181
4	Atlasz Travel Insurance Company, Inc.	1,395	1,517	1,007	1,005	108	295	—	45
5	Colonia Insurance Company, Inc.	—	1,254	—	1,005	—	- 72	—	37
6	AB Generali Budapest Insurance Company, Inc.	—	1,219	—	1,000	—	103	—	62
7	Providencia Insurance Company, Inc.	—	1,115	—	999	—	6	—	122
8	First American-Hungarian Insurance Company, Inc.	—	999	—	1,000	—	- 2	—	1
9	L + P International Insurance Agency, Ltd.	—	2	—	1	—	0	—	2
Total:		44,266	62,434	9,107	13,702	536	893	9,823	10,516

The penetration of foreign capital into the insurance business deserves special attention.

Foreign capital interest in the insurance business began to make headway in 1990. Foreign property is present in five insurance companies, i.e., in more than half the number of all insurance companies. Last year only one company, the Colonia Insurance Company was wholly foreign owned. By the end of 1990, however, 28.6 percent of all the assets of insurance companies were owned by foreigners.

The main balance amounts of foreign owned insurance companies or insurance companies operating with foreign capital represented 39.8 percent of the total main balances of all insurance companies. This means that their share of

sale exceeded their share of assets. The five insurance companies listed on the following table earned 39.3 percent of the total gross income of all insurance companies.

It is impossible to prepare an efficiency ranking of insurance companies based on these ratios, because the one year experience is insufficient for this purpose. Similarly, it is not possible to determine the effect of foreign capital on individual businesses.

Within the five companies examined the average foreign share of capital amounted to 46.3 percent.

It is worth mentioning a fact not included in the analysis: Mostly foreign controlled insurance agencies mushroomed in 1990.

**Foreign Capital Participation in the Insurance Business (1990)**

Rank	Name of Company	Main Balance (millions of forints)	Assets (millions of forints)	Foreign Capital	Income	Percentage Share
1	Hungarian Insurance Company, Inc.	19,357	4,459	1,813	29	49
2	AB-Generali, Inc.	1,219	1,000	400	103	40
3	Atlas Travel Insurance Company, Inc.	1,517	1,005	120	295	12
4	Colonia Insurance Company, Inc.	1,254	1,000	1,000	- 72	100
5	Providencia Austro-Hungarian Insurance Company, Inc.	1,115	1,000	590	6	59
Total:		24,462	8,464	3,923	361	46.3

The 1990 ranking of financial institutions also indicates that by now the Hungarian money market has become a reality. This year the analysis is "introvert," i.e., it does not extend to the comparison of international data. This, however, will be possible in the near future. Financial institutions are striving to prepare (audited) financial statements consistent with international practice, and the forint's official exchange rate is becoming increasingly more reliable from the standpoint of the realism of its use as a medium by which financial institutions can be assessed.

**Significance of Service Industry Described**

91CH0691A Budapest FIGYELO in Hungarian  
6 Jun 91 pp 1, 9

[Article by Eva Palocz: "The Sole 'Bridging' Role?"]

[Text] Buying foreign exchange on the streets (or in some other unofficial way) and services rendered to foreigners for foreign exchange are just about the only ways to

obtain foreign currency. People are increasingly taking advantage of this opportunity.

In the early 1980's Hungary's service export was smaller than its mercantile exports, but this situation turned around by the end of the decade. True, service exports were able to rise so fast only because mercantile exports essentially stagnated until 1988.

Despite this fact, the phenomenon is by all means noteworthy, particularly if one considers that official data concerning service exports are heavily underestimated. There are several reasons for this: We have learned by now that current balances of payments during the previous decades—the only period from which published data exist—constitute complex magician's acts which cannot be followed. In the course of preparing these statements they stuck anywhere from \$10 million to \$100 million here and there.

Although these maneuvers affected primarily the data pertaining to mercantile trade and to income on capital (interest), it is certain that items pertaining to service trade were not left untouched. This is proven among other things by a new publication that appeared in the Spring of 1990. This publication also presents new, retroactively corrected data concerning service trade, and in many instances the data thus presented differs from earlier data.

Dealing with service export data is made more difficult by problems of a methodological nature (the unclear separation of mercantile and service trade), but the greatest distortion resulted from the lack of convertibility of the Hungarian currency.

It is obvious that statistical record keeping is increasingly less able to follow continuously expanding unofficial trade in foreign exchange, even though these amounts should, in some way, become part of service export data. Including amounts which disappear from the foreign tourism income category by being exchanged on the streets instead of in banks, as well as amounts received from the unregistered rental of rooms and from other foreign tourism services. According to a Central Statistical Office (KSH) assessment only 43 percent of the expenses incurred by foreign tourists were paid by officially exchanged foreign exchange. This ratio has probably undergone a further reduction during the past two years, because official "foreign exchange allotments" have essentially been discontinued. A significant number of residents in the Western part of the Transdanubian region make a living by providing services to Austrians. These earnings do not appear anywhere in statistical records.

The situation is similar in exportation of intellectual products (expert studies, software) by individuals, a large part of which also avoids official recording.

Although part of the unregistered export of various foreign tourism and intellectual product services do appear in individual foreign exchange accounts (the

value of these increased in 1990 from \$650 million to \$1.2 billion), these amounts are recorded not as service export items, but as so called unilateral (uncompensated) transfers. Undoubtedly, quite a lot of income received from mercantile exports in 1990 is also part of these uncompensated items. Accordingly, this phenomenon is not a peculiar feature of service trade.

But from the standpoint of an ability to interpret data it is by far not indifferent whether about five percent of the data disappears (this may be the approximate ratio of mercantile export income that appears among uncompensated transfers), or if one-quarter or one-third of the income disappears, which is the estimated proportion of income derived from service exports.

Accordingly, the actual export of services is substantially greater than shown in statistical records, while actual service imports are certainly of a smaller value than what has been recorded. This is because a substantial part of expenditures does not represent services performed abroad, but represents merchandise purchases of the kind which in a normally functioning economy is not imported by individuals, but through commercial channels (i.e., it would be statistically recorded as mercantile import).

Since an increasingly smaller part of actual service trade appears in official statistical records, such records are becoming less and less suitable to draw conclusions from Hungarian service trade data. In and of itself the fact that in an overwhelming majority of instances the official balance of service trade showed a deficit does not reveal much either. The \$350-million deficit which caused the 1989 "tourist balance of payments" as a result of runaway shopping tourism (as a result of which the full deficit of the service balance of payments multiplied the previous year's deficit by 2.5 and amounted to \$660 million) well illustrates the total blurring of the difference between mercantile and service trade processes.

For example, Austrian statisticians complain that in the end, Hungarian shopping tourism deteriorated the Austrian mercantile trade balance. This is because the overwhelming majority of the products purchased by Hungarians represented imported goods also in Austria (coffee, tropical fruits, Yugoslavian Gorenje, and South-east Asian electronic products), which increased Austrian mercantile imports. On the other hand, money exchanged by tourists in banks showed up as foreign tourism (service) income (if it appeared at all).

As a result of changed customs and foreign exchange rules, the foreign trade surplus (of \$345 million) was restored once again. But shopping tourism has not ceased, it only relaxed. Accordingly, the value of this kind of trade continues to contain a significant amount of mercantile imports.

Along with all this, Hungarian service exports payable for in convertible currencies have significantly increased during the second half of the 1980's, despite this high

volume of underestimated data. During the past decade, the seedlings of a background service industry have definitely appeared, and the evolution of the institutional system for financial-business and consumer services has begun. This is because liberalizing measures made their effects felt in this branch first. The fact is that among the East European countries Hungary was most liberal in terms of people, capital, and information movement exerted a favorable effect on acquiring knowledge about service provisions. This is a far more important condition for trading services than for the international trade of goods.

Even though Hungary's favorable situation is relative, one must not underestimate its significance. This characteristic could provide advantages both in the Western and the CEMA markets. If it makes sense at all to talk about the idea that in the near future Hungary may play the role of a "bridge" between the geographical East and West, then this bridging role may be performed virtually exclusively in this field. There is no reason to assume that Western enterprises want to break into the Eastern markets solely and expressly through Hungarian processing industry enterprises. On the other hand, the kind of complementary knowledge that has been accumulated in Hungary during the past decade in the field of commerce, organization and marketing (regarding both the Eastern and the Western markets) could also be valuable to Western enterprises. At this time already a number of signs indicate that Western consulting, market research and other business service enterprises love to turn to Hungarian firms and establish joint enterprises with them, partly in order to utilize this advantage in the direction of the East.

#### Foreign Capital in Service Provisions

By now a significant part—about two-thirds—of the several thousand foreign joint enterprises were established in the service sector: in commerce, the hospitality industry, foreign tourism, in the financial (banks, insurance companies) and business (technical, legal, business consultant offices, advertising, management consulting and auditing firms) spheres, in publishing, etc.

The significant proportion of the service sphere is often viewed as a negative factor in the framework of evaluating the structure of joint enterprises: "A significant part of these came about only in the service branch"—a statement in which the word "only" reflects the fact that this branch is underestimated. This development should under no circumstances be viewed as having a negative character, if for no other reason than because this is not a peculiar phenomenon in Hungary.

During the 1980's a larger part of foreign investment capital was targeted to reach the service branch. This was so not only in the less-developed countries, after all, multinational service enterprises spread primarily in the developed countries. The presence of foreign service providers is also characteristic in countries which have incomparably more developed services than we do in

Hungary. Accordingly, at issue is not that foreign service providers wish to secure for themselves high profits in Hungary because there is no other foreign land in which they could do so, but precisely because service providers which settle in Hungary are also present in other parts of the world.

Attraction of foreign operating capital is indispensable for the development of a service background because the expertise for such development is lacking in Hungary. The difficulties and obstacles emerging in today's Hungarian economic transformation process well demonstrate the kind of complex and diverse service background needed for the functioning of a normal market economy.

Drawing in foreign service enterprises will be necessary even if an almost similar expertise exists in Hungary. The large multinational service enterprises provide not only knowledge, but also organization, and what is even more important, they also have a good name which is an indispensable requirement for successful operation in the service industry.

Accordingly, foreign investment in the infrastructure and services is a fundamental condition for the development of an economic milieu suited to receive foreign investments.

#### Deregulation in the Service Industry

Developed industrial countries also provide strict regulations for their service branches. This applies not only to infrastructural (transportation, communications) and financial services (banking, insurance branches), but also to a number of consumer business services. Such rules governing certain branches of industry frequently provide detailed definitions of the rights and duties of service providers as well as conditions by which foreign service providers may enter the market and operate.

Since the late 1970's developed industrial countries have followed policies which downscaled these rules, deregulated the service sector, and privatized services by letting the private sector deliver services previously provided by the state. Simultaneously rules governing foreign service providers are also being relaxed continuously. This, however, does not change the fact that a majority of the service branches in these countries continues to be regulated.

On the other hand, in East European countries, in a manner similar to backward, developing countries, the concern is that they do not have regulations which uniformly apply to everyone, and which clearly and publicly define what is permitted and what has to be done by various organizations active in the market. There was no need for such a regulatory system as long as central licensing was pursued on an individual basis, moreover, regulations would have contradicted this kind of system. By having a standard set of rules the center would have lost its tight and direct influence on the market. Organizations in the marketplace would have

had to abide by written rules of general applicability, and not by the will of the center.

Thus, there are no laws for service branches similar to the ones in West Europe which contain the fundamental rules for market conduct. The Competition Law came at least a year too late (it should have been enacted prior to privatization), there is no functioning insurance or banking law, or a telecommunication law responsive to market conditions, or for that matter, not even the collapse of the earlier soft system of real consumer

protection was followed by the evolution of a truly effective system to protect consumer interest. To the contrary, the protection of consumer interest (which could have particularly great significance in the service branches) has essentially ceased to exist.

All of this creates an uncertain situation not only for Hungarian, but also for foreign investors, and contributes to the continued life of central, individual licensing, and frequently to subsequent intervention and corrective action.

### Miodowicz Outlines Overall OPZZ Strategy

PM0107093891 Krakow GAZETA KRAKOWSKA  
in Polish 20 Jun 91 p 3

[Interview with Alfred Miodowicz, All-Polish Trade Union Agreement chairman, by correspondent Ryszard Rybus; place and date not given]

[Text] [Rybus] Is the OPZZ [All-Polish Trade Union Agreement] a colossus with feet of clay, or is it a dangerous adversary threatening the government and poised for attack?

[Miodowicz] Neither. It is simply a straight trade union with a membership of many millions. If we were to concede that its federative structure and, consequently, the lack of centralism, contribute to a certain weakness within the union, I would agree that we do not make the full use of all its potential. But these are also its strengthening features. A federative structure is quite hard to overthrow, whereas uniform, centralized structures always tend to develop fractures.

By the nature of things, every government always represents the employers' group, and this is why it is a perfectly normal state of affairs for sparks to fly along the demarcation line between a government and a union pressing in its demands. Let us not invoke sentiments: There can be no talk of any "protective umbrella."

[Rybus] How many of you are there in fact?

[Miodowicz] More or less five million members within the OPZZ and some 600,000 organized outside the OPZZ—for example, the LOT [Polish Airlines] Employees Trade Union, which remains within our configuration but does not belong to the federation. We have lost more than a million members.

[Rybus] Do you envisage the possibility of cooperating in a joint action with the NSZZ [Independent Self-Governing Trade Union] Solidarity?

[Miodowicz] It is not only a possibility but a necessity. We must stick together if we want to offer employees genuine protection against the hardships and difficulties they face. Otherwise, the continuing division between the unions will be to the advantage of those who are not at all concerned about employees interests.

Unfortunately, our colleagues fell for the trick involving the division of assets. This is dangerous mainly for Solidarity because it will now launch battles against another trade union without gaining anything for itself in the process, but will instead uncover its own weak spot—facing the obligation to account for the funds received from abroad.

[Rybus] Surely you will not deny that the "neo-unions" set up during martial law received assistance from the state—drawn from the assets confiscated from Solidarity?

[Miodowicz] It would be difficult to deny that. But, in the first place, they were not "neo-unions," but legitimate trade unions. Certainly an official instruction was issued to transfer the money to the trade unions. However, the unions themselves never applied or asked anyone for it. Accounting for these funds is a straightforward matter. In our ranks there are more members who belonged to Solidarity in 1980-81 than there are altogether in the present Solidarity structures—let us call them "the Gdansk Solidarity" and "Jurczyk's Solidarity."

[Rybus] According to your assessment, what is Solidarity today: exclusively a trade union, or still a political movement?

[Miodowicz] A political movement. It delegated a proportion of its aktiv to the executive power echelons. On the other hand, it is only now that I am beginning to note certain moves to restore Solidarity's genuine trade union character—that is, the commitment to making wage claims on employees behalf. We also note that Solidarity's "protective umbrella" over the government has been withdrawn.

[Rybus] With regard to another angle of worker-employee relations, does the parliamentary caucus representing left-oriented groups also represent employees interests?

[Miodowicz] Some of its members do. But I do not know whose interests the parliamentary caucus itself represents.

[Rybus] A number of different ideas have been put forward concerning the OPZZ's participation in the forthcoming parliamentary election. Will you put up your own list of candidates? Or maybe set up an alliance with the Social Democracy of the Polish Republic [SdRP], or even the Party X [Tyminski's supporters]?

[Miodowicz] We will certainly nominate our own candidates, and we will not establish any coalitions at the central level. If any alliances are set up, they will differ according to the given circles and regions.

[Rybus] The OPZZ is seen as the most radical opponent of the Balcerowicz plan. What do you propose to replace it with?

[Miodowicz] We propose a totally different outlook. First, the public must be told the truth: We need 10 years to emerge from the present state of decline—five years on our hands and knees, and the next five getting onto our feet. People must be taught to prepare themselves for a long journey. This is not only a question of changing the old production systems, introducing new technologies, and transforming the laws of ownership, but also a challenge to the old mental attitudes. We are all still steeped in the attitudes we were brought up with.

Second, we must put our trust in hard work. If we want to catch up with the West, we must do it in the sphere of technology and technological progress. Finally, state

enterprises should be denationalized in such a way as to benefit our country and our society. The privatization program should be based on concern for maintaining them in good condition, since they constitute a source of budgetary income. An empty budget means a lot of trouble for the government, as the present situation amply demonstrates.

We presented our alternative program to Mr. Balcerowicz. We would keep the free market, enterprise autonomy, privatization, and a certain level of unemployment. All the principles can be preserved, but we would reverse the hierarchy of priorities. The State Budget and anti-inflationary measures should not be treated as the principal targets; instead, we should concentrate on the influx of money to supply the budget. Consequently, we should concentrate on the state and condition of our enterprises.

[Rybus] Are you in favor of an immediate abolition of the popiwek [tax on excess wages] scheme?

[Miodowicz] Let me put it in this way: We believe that the time has come to abolish the popiwek scheme. Or at least to curtail it. On the other hand, we should not apply different kinds of tax depending on forms of ownership.

[Rybus] The new financial mechanisms being introduced aim at eliminating non-profitable forms of economic management.

[Miodowicz] At the moment all forms of economic management are non-profitable.

[Rybus] Demands voiced by enterprise OPZZ activists include the stipulation to introduce fixed prices.

[Miodowicz] First and foremost, we keep stressing one thing: In our specific conditions and circumstances it is not true that enterprise autonomy fosters dynamic production. The structure of the whole system virtually calls for state intervention in certain cases and areas—for instance, in agriculture. After all, food subsidies are used universally. We must have state intervention. Our economists were thinking in very naive terms when they assumed that the free market itself would forge the principles of economic interplay.

[Rybus] Is the union justified in making incessant wage claims at a time when the country is still very unstable, economically and politically?

[Miodowicz] In our circumstances, it certainly is. The government has created a true jungle of laws and regulations in the social security sphere. The ultimate aim is to uproot and do away with the more valuable "trees" of that jungle—that is, social welfare provisions—in an unobtrusive way. The social provisions marked for axing are, successively, free medicines, free medical care and treatment, and free education. This is why we are also brutal in our actions and this is why we make loud and blunt demands. The government is planning to fleece the

people on the sly, and the people try to protect themselves against it with the help of the trade unions, all the while attacking the government for the lack of any kind of social welfare policy.

[Rybus] I suspect that the thesis which claims that "society defends itself through the trade unions" is an oversimplification. Opinion poll results demonstrate a negligible level of public support for the OPZZ. Nevertheless, the jungle metaphor can be taken even further: If you want to tidy up a neglected stretch of forest, you must resort to radical methods. You must fell the old trees to plant a new forest. After all, the new social welfare protection system is to be based on entirely new principles.

[Miodowicz] You are right, but you must have an overall long-term vision of the new system. The present government does not even have a vision for the next six months, so how can we expect it to hold an overall strategic concept? How could they—when planning the national budget—have made the error which caused a gaping hole of 10 trillion zlotys in our finances over fewer than four months? The government acts in a totally chaotic way, planning its moves from one quarter to the next, with no overall vision and no imagination at all. Maybe Mr. Balcerowicz has a degree of imagination, but I am talking about the government now.

[Rybus] The following view is sometimes heard these days: The OPZZ could command significant political power if it were not for the chairman, whose person is invariably and unequivocally associated with the Polish United Workers Party [PZPR].

[Miodowicz] The OPZZ would not be any weaker without Miodowicz, but it would not be any stronger either—not even by a fraction of a percent. I happen to have the talent to unite a variety of different elements. I do not believe anyone else would succeed in this area in the same way.

[Rybus] Thank you for talking to us.

### **Liberal Democrats Urge Alliance in Elections**

*LD0407071991 Warsaw PAP in English 1513 GMT  
4 Jul 91*

[Text] Warsaw, July 4—The Liberal-Democratic Congress [KLD] urged the Center Alliance party [PC—Center Accord] and the Democratic Union [UD] to hold initial talks on a possible joint campaign in the autumn elections to the Senate.

Liberal Democrats, a party cofounded by Jan Krzysztof Bielecki, now the prime minister, decided to name its own candidates for deputies to the Sejm [Lower House], but want to launch a joint electoral campaign to the Senate with democratic, free-market, and reform-minded circles and groupings. The KLD is ready to act as an intermediary in negotiations on the matter.



This would give a chance to elect a Senate dominated by proponents of reforms who would ensure their continuation, a statement issued by the KLD leadership reads. The KLD leaders urged other groupings to join efforts which "call for showing goodwill" by all parties to the agreement.

**Remedy for Halting Recession Process Advocated**  
*91EP0553A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 31 May 91 p II*

[Article by Dr. Henryka Maj, department director at the Institute of Finances in Lodz: "Urgent Decisions Needed"]

[Text] A rather sharp discussion is underway on the effects of the economic program being implemented in Poland. The state enterprises, without entering into this discussion, are waiting for clarification and decisions in concrete matters. No alternative programs and no revisions to the present stabilization program are being considered, but in the majority of the organizations studied, there is anxiety as to what will happen next.

The survival strategy is coming to an end. For many enterprises it has already ended, if we compare their indebtedness with their ability to pay. For example, in the paper-pulp industry approximately 40 percent of the enterprises will not be able to pay their debts. Since 1 January 1990, in the entire branch except for four enterprises, all of the directors were replaced, and in some cases, twice. This stems from the difficult economic situation in the enterprises and not from the qualifications of the directors. The dependence that we have observed indicates that in the organizations in which the economic situation is relatively good, directors are generally not replaced, even if they come from the so-called *nomenklatura*. Hence the conclusion that the commercialization of enterprises (among other forms of ownership transformations), announced by the government, will not be a remedy when difficult external circumstances plunge state enterprises into debt to banks, the State Treasury, and other creditors.

The greatest problem for enterprises is their increasing inability to sell industrial articles. Firms which mutually coproduce are reducing the size of their production. The opinion is expressed that state industry will "fall apart" before the government develops an industrial policy. In any case, it is seriously delayed.

What should be done right now in order to halt the process of the deepening recession, along with the inevitably growing phenomenon of a more rapid growth of prices than had been anticipated? There is no such alternative between inflation or recession.

First, the government must take a clear and unquestionable position as to enterprises which are in fact, and according to the regulations in effect, bankrupt. This is a problem which cannot be evaded or ignored by accelerating privatization "in general," while at the same time

keeping alive those enterprises which are in a state of economic collapse, thus avoiding a way of solving the unemployment problem. If this matter were clearly put it would have important psychological and economic significance.

Second, the matter of uncertainty and lack of prospects for the future in enterprises, factors which make them apathetic or inactive, must be cleared up. Two sides of the problem must be differentiated:

1) Uncertainty and economic risk, which is a feature not only of the change to another system, but of the system itself, i.e., the market economy toward which we are striving. This is a permanent feature of this economy and is the basis for the dynamism of action needed in order for a firm to survive on the market.

2) Uncertainty stemming from the changing rules of management or from the failure to observe the regulations accepted in this management. This side of uncertainty is not conducive, obviously, to the utilization of the positive qualities of the first side.

Therefore, the fact that uncertainty, risk, and lack of prospects under the present conditions affect all firms and institutions without exception, including private ones, must be realized by all enterprises, including the state enterprises. And that is the side of uncertainty that must be elucidated, and not just the side that the government is to blame for everything, and that it is the government from whom assurance of stability is required.

The need to make urgent decisions pertains to the uncertainty mentioned in point 2, i.e., the uncertainty stemming from rules of management, taking advantage of the possibilities which create the present conditions (since the earlier ones were not taken advantage of). They are, in particular:

a) Popularization of different forms of privatization, including industrial enterprises and other state and cooperative enterprises and, most important, banks; and

b) The social atmosphere—not the best—surrounding unemployment, benefits, and the low profitability of labor in state enterprises.

The first condition may make it possible to solve the matter of enterprises' debts—debts which were incurred for reasons not under the control of the enterprises. A few optional solutions can be proposed.

Insofar as credits are concerned, a rule, for example, that the banks, except for the private ones, would be required by the state to take over from the enterprises their past-due credits, plus the thus-far unpaid interest, is a possible solution. These sums would then constitute the share that the banks (as shareholders or stockholders) would have in the privatized enterprises. The obligatory assumption of debt by the bank could apply to those enterprises to which the bank granted credits prior to 1990 or other enterprises whose debts the bank would be

obliged to buy out for the stock account of the privatized enterprises. The development of the capital market would be accelerated and the banks would become co-owners of the enterprises. This rule should also be extended to past-due housing credits.

Also, the possibility of buying up those debts, together with the interest on them, that arose after 1 January 1990 could be pointed out to the banks, making this voluntary rather than obligatory. This possibility would apply not only to the debts resulting from bank credits, but also to other debts, including those to the State Treasury. The principle of voluntary buy-up is another solution. Still, it must be made very clear by the state that an asset that has once been purchased (i.e., in this case a debt amounting to a part of the assets) cannot be reappraised and repurchased from the state by a given organization.

In order to enhance interest in investment and in innovative products, the rules must be accepted that the means of production purchased by an enterprise constitute its property, and that the moneys obtained through their privatization (employees stock-ownership plan, sales, etc.) will remain in the enterprise and are designated for the firm's development and for joint investments with other enterprises, financial institutions, and so forth.

The question of what value should be assigned to the permanent assets, which will be the assets constituting the property of the enterprise, must be settled. It is incomprehensible that such ideas as distributing state assets and reprivatization are being considered, while the state, collecting dividends and various taxes from state enterprises, would decide not to differentiate the assets purchased from the enterprise's own funds—out of the profit or the credit that the enterprise repaid or is repaying—and is qualifying everything for buy-up and paying into the State Treasury the sums from the sales of stocks, leases, purchases, etc. Yet, thus far the state is not interfering in the voluntary selling by an enterprise (all the while a state enterprise) of fixed assets, leasing of land, and so forth. The enterprise, not the State Treasury, disposes of the funds obtained in this way. At least the present assets should be protected against the devastation that would result from banning sales or paying the money from sales or leases into the State Treasury.

In order to eliminate various inconsistencies, discussions must take place not about programs or modifications, but on simply putting things into order, removing obstacles and paradoxes, and applying some kind of logical coordination to actions and regulations that will not penalize enterprises for the fact that they invested earlier and are now becoming bankrupt.

The government must also institute some incentives that will stimulate people in the enterprises to look for new ways to enter into favorable export transactions. The flexibility of wages and the tax on excess-wage increases can be taken advantage of in these cases. The simplest method would be to exempt from that tax that portion of

the general wage fund that is equivalent to the percentage share of the amount of export in the amount of total sales. This will be worthwhile.

Another important area in which the activeness of enterprises could be stimulated is through investment (material, organization, and human) in product innovation, giving products market appeal and diversity, quality as to type, and quality as to execution. This is the main reason for the decline in production and sales. Should we not take advantage of an exemption from the excess-wage increase tax of that portion of the wages or profits that must be designated to obtain the described results? Payments by virtue of this can and should be postponed until sales increase, thanks to the product changes being instituted. There are even large enterprises with good staffs which can change their production assortment (we know this from the studies), but they would have to undertake this task at low pay, compared with the additional work.

### Poll Shows Longing for Free Market, Welfare

91EP0565A Warsaw ZYCIE WARSZAWY in Polish  
11 Jun 91 p 4

[Article by Iwona D. Bartczak: "An Apolitical Complaint"]

[Text] Sociologists report, on the basis of the "Poles '90" survey, that an improvement of their financial standing is the most important issue to be taken care of for the Poles. It would appear that this is obvious in the environment of an economic crisis. However...the crisis has been under way in Poland for at least 10 years, but the Poles did not consider financial issues to be paramount in 1981, 1984, or 1988. In 1981, they were more concerned about disentangling political problems; in 1984, they were looking for an appropriate apartment; in 1988, they took an interest in personal problems first of all. At present, they think mostly about money, and completely detach themselves from politics.

The conviction that the state should help its citizens in need is universal; in 1988, 72 percent of our fellow citizens stated this ("Poles '88"), and in 1990 as many as 81 percent ("Poles '90"). In turn, the latest CBOS [Public Opinion Research Center] data indicate that 84 percent demand greater care from the state. Lena Kolarska researched the views of these people and did not detect in them any particular aggression, or protest against current policies, or greater demands. Therefore, she referred to appeals for state aid as "an apolitical complaint" ("Poles '90"). This begs a difficult question: Is our society indeed that poor and resourceless, or does it really consist of "artful dodgers"? Could it be that the newly emerging opportunities to make money are not cut out to match the skills and mentality of a majority of the citizens brought up by real socialism?

Subsequent items on the list of issues to be resolved bear testimony in disfavor of the Poles. Given that 45 percent of the people want to improve their financial standing,

only 5 percent of the people are looking for better jobs, 4.5 percent are currently looking for a job, fewer than 3 percent intend to improve their skills, and 2 percent are planning to start a business. This is astonishing and disquieting. If neither work nor enterprise are roads to affluence, even under new systemic conditions, then what is?

Perhaps the issue will be clarified somewhat after we analyze attitudes associated with unemployment. According to "Poles '90," 49 percent of the people reckon with the potential loss of their jobs. However...this does not shape their views and aspirations. The people who are apprehensive about losing work do not have a significant feeling of social injustice, of lacking influence on the government, or greater expectations addressed to the guardian state than the people who are secure about their employment. This is all the more curious because they are more keenly aware of the existence of conflicts, especially at their enterprises, and of their own defenselessness. Unemployment has not caused radical attitudes because a huge illegal labor market exists, which provides an opportunity to make good money, whereas unemployment benefits ensure a subsistence minimum, the continuity of work, and social security. If nothing else, the tremendous number of young people who opt for unemployment benefits upon graduating from school testify to how convenient unemployment can be. Sociologist Jozefina Hryniewicz maintains: "Our society does not appreciate unemployment, and its pathological influence on the economy and social relations." Perhaps the coming day, with mass bankruptcies and the impoverishment of the state, will bring about a greater feeling of danger, which nonetheless will also be more constructive. Perhaps we will finally treat work seriously, as a mental and material discriminant.

It would appear that, because of a lack of ethics in both work and enterprise (*nouveau riche!*), our economic element is devoid of the main capital of human vitality, hard work, honesty, and innovation. However, the people have certain "whims"; for example, some jobs are more highly valued than others. Despite the fact that so far "whims" have not been translated into reality, they nonetheless amount to a certain potential to which politicians and economists should pay close attention.

If the Poles had all options open to them, they would work "for themselves" (33 percent), 26 percent would like to keep their state jobs, 20 percent like to work for hire for private companies, and 11 percent want to go abroad. In the latter two cases, motivation is purely financial. In turn, the people appreciate social welfare, protection of employee rights, and longevity in "state jobs." Potential entrepreneurs are the most interesting; they are overwhelmingly driven less by financial considerations than they are by the desire to prove themselves, to become independent and self-reliant. Having taken a close look at them, Lena Kolarska draws the following conclusion: "Not many people will learn about the power of money; however, quite a large group consisting of

representatives of all social strata would like to learn about the power of their own enterprise" ("Poles '90"). It appears that this is the most significant issue for politicians to take care of—creating such opportunities before ungratified aspirations are transformed into frustration and ill will toward the authorities and reforms.

Addressing postulates in this manner may incur the aversion of pedigreed liberals in and around the government. After all, the people should look for opportunities and take advantage of them themselves. We may respond to this accusation either by paraphrasing Bertolt Brecht—in this case, let the governing elite disband their people and elect itself a new one, or by reading yet again the writings of the accomplished sociologist Lena Kolarska: "Therefore, despite the fact that the more the market arrangement is supported, the weaker the emphasis on state aid is, more supporters of the market accept the welfare state than reject it. In Poland, the acceptance of a market arrangement is decisively prevalent in which state institutions provide care for individuals in need, though the definition of people 'who cannot cope' may be very different" ("Poles '90"). As we can see, this is a very general idea concerning our most important issue to be resolved. There are no practical solutions.

#### Soviet Laborers Compete for Scarce Jobs

91EP0566B Warsaw TRYBUNA in Polish 14 Jun 91 p 3

[Article by Maria Olszewska and Dariusz Lanocha: "Seekers From the East"]

[Text] On the one hand, there are shocking reports on TV showing the back of an embarrassed Soviet refugee who is being brutally exploited by a greedy Polish employer in the course of illegal work. On the other hand, there is the holy outrage of the polled people in the street that there is work for the "Ruskies," whereas Polish unemployment is growing at a frightening pace. In addition, there is the officially outlined prospect for a flood of refugees coming from the East.

How many of them, people from across the eastern border, are there? Estimates obtained by comparing the number of people crossing the border since the beginning the year in both directions indicate about 40,000 persons. The Bureau of the Plenipotentiary for Refugee Affairs of the Ministry of Internal Affairs roughly divides arrivals from there into three groups: tourists and guests, traders, and those who come intending to obtain gainful employment. In general, the first two groups are restricted to stays of several days, or a dozen or so days. Therefore, it follows that the 40,000 in question are job seekers.

Observations made by the Ministry of Labor and Social Policy prompt it to maintain that almost this entire group is now illegally employed somewhere. In turn, projections by the ministry point to the sudden growth in the number of easterners seeking Polish jobs, estimating

to be about 1 million people, as early as vacation time. At the Bureau of the Plenipotentiary they have come to a different conclusion: Not more than 20,000 of the Soviet citizens work, and the number of arrivals should not be expected to grow. For a long time now, it has been at the same level.

It is said that they find work without difficulty. Of course, this is because they agree to low wages and the most modest conditions, which the Poles, who would rather opt for unemployment benefits, absolutely do not want to accept. Employers have already learned that those from the East are good, conscientious workers who do not use leave and are not as inclined to consume hard drinks on the job as is usually the case.

Why are they satisfied with tiny wages? It still makes sense for them: They change a million zlotys made in Poland into about \$100 at an exchange office, and upon their return to the Soviet Union they change this into about 5,000 rubles....

Therefore, the Poles eagerly hire Russians for gardening, farm work, and especially for construction. This is generally done illegally and with impunity, because this phenomenon is quite new in our country, and there is no tradition of prosecuting illegal employers and employees (deportation!).

And yet, they do not have to work illegally. There is an applicable paragraph (No. 33) in the 1989 law on the employment of foreigners, which provides for such situations and clearly sets forth guidelines for employing foreigners—naturally, during their legal stay in Poland. They may apply anyway to extend their stay and employment. There are also restrictions in the law: The employer must secure the consent of the voivodship or regional employment bureau, and issuance of consent by the latter depends on the specific situation in the local labor market.

The law is being applied. For example, visitors have been successfully employed by construction companies in Bialystok Voivodship, which initially was among the most beleaguered voivodships (along with the entire eastern belt). By now, the flood has moved on to other regions; it has reached large cities in Silesia and on the coast, Warsaw, and Krakow. It has turned out that an increasing number of Polish companies and enterprises are interested in employing Russians legally.

For example, the management of the Wieczorek Mine, which has continuous shortages of personnel that restrict output despite growing unemployment in the area, has made efforts to hire Soviet employees.

The voivodship labor bureau has accommodated the enterprises and the foreigners, making it possible for them to work legally at construction sites. Even now, 60 citizens of the USSR work in Krakow legally. Several dozen more are on the waiting list: After all, certain restrictions have been introduced by virtue of which foreigners are employed primarily only in locations

where job offers for Poles are not taken. In addition, the enterprises are prevented from taking advantage of the aliens financially; in the very near future, two construction teams will be created in Krakow out of the legally employed Russians.

This is very good, but the spontaneous influx of labor may be ultimately harmful, given the simultaneous Polish unemployment. At the Bureau of the Plenipotentiary for Refugee Affairs, they are of the opinion that this may be quickly resolved if appropriate regulations are introduced.

However, for now, the end to controversy on this eastern issue is not in sight.

### Evaluation of Four Major Enterprises Issued

91EP0562A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Jun 91 p IV

[Article by Wieslawa Przbylska-Kapuscinska: "The Economy as Evaluated by Enterprises: It Is Not Equally Difficult for All of Them"]

[Text] An evaluation of trends made on the basis of a survey by the Institute of Economic Theories of the Economic Academy in Poznan indicates differentiation of the economic situation among enterprises belonging to the four industries surveyed: machine building, the chemical industry, light industry, and food processing.

On the other hand, the existence of a certain group of enterprises—accounting for about 25 percent of all respondents—which undertook bold actions, adapting to the market rules of the game and being successful at it, indicates that the exacerbation of unfavorable phenomena registered in the first quarter of this year should not bring about unequivocal conclusions, and does not necessarily mean the rise of a wave of general pessimism.

The first approximation of the evaluations of economic activity in the four surveyed industries is outlined in the analysis of the movement of business environment indicators, which amounts to the most generalized picture of conditions for economic operations by enterprises in the long run (Charts 1 through 4). Conclusions suggested by this analysis, from the point of view of differentiation between industries, are as follows:

- A profound breakdown associated with the creation of a new economic order affected all the industries analyzed toward the end of 1989. It was felt with a greater force in light industry (a high negative environment indicator of - 21.3) and machine building. Market conditions for economic operations only exacerbated difficulties that still occurred in the old system of centralized economy. Therefore, the difficulties were more of a structural rather than a systemic (trend) nature.
- In the third quarter of 1990, all of the industries analyzed embarked on the path of recovery, though the levels of recovery varied. An actual recovery befell

only food processing and to a small degree the chemical industry (this is expressed by the positive values of the environment indicators). Other industries entered a stage of downward trends again in the fourth quarter of 1990 due to overestimating demand in relation to prices and quality, and the polarization of social incomes. With the exception of food processing, the movement of environment indicators for other industries suggests an exacerbation of the recession. A repeat of the recession with greater intensity is expected in light industry and machine building.

A general picture of sharply more difficult economic conditions in light industry and machine building, which is suggested by the movement of the synthetic business environment indicator (Charts 1 and 3), is also confirmed by more specific projection of economic activity in the second quarter of 1991.

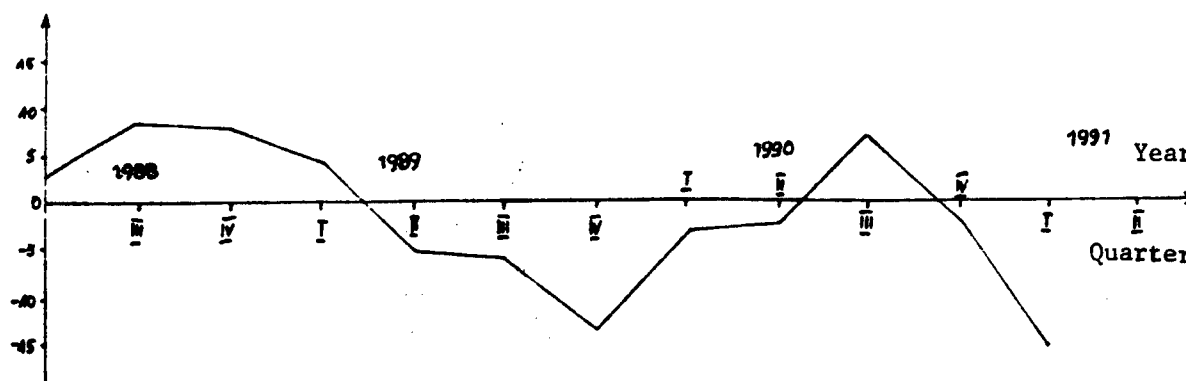
demand barrier (for many quarters now). Projections of demand in the second quarter of 1991 are negative. Almost one enterprise in three expects its portfolio of orders to drop. This continues to be the most pessimistic demand projection in the course of the year.

#### Light Industry

The negative value of the business environment indicator (- 16.4), which exceeds the level of this indicator for the entire processing industry in Poland, is an expression of the most difficult economic situation in this industry.

Expectations concerning the economic situation are more pessimistic compared to projections drawn up for the first quarter of 1989. Eighty-three percent of the enterprises expect good conditions of access to material means of production, and one-third of the enterprises

Chart 1. Machine-Building Industry



#### Machine Building

The unfavorable situation in machine building was confirmed by the movement of the business environment indicator, whose negative level (- 15.2; see Chart 1) was higher than the level of this indicator for the entire processing industry (- 10.1).

The percentage of negative evaluations in the general evaluation of the economic situation dropped insignificantly compared to the prediction for the first quarter of 1991. However, one enterprise in three in machine building still has a pessimistic view of its prospects. About 8 percent of the entities expect their situation to improve. Considerable increments of employment, reported by as many as 45 percent of the enterprises, are noteworthy. Projections of financial standing for the second quarter of 1991 are more pessimistic than in the previous period. Twenty percent of enterprises (2 percent less than in the previous quarter) expect sales to improve, whereas 27 percent expect them to drop (6 percent more than previously). It is incomprehensible why the enterprises of this industry "feel good," given the overestimation of the actually affected sales by as much as a factor of nine, and the further mounting of the

report still existing excessive employment. One-half of the enterprises polled expect the financial situation to deteriorate, whereas only 12 percent expect it to improve. On balance, the current projection indicates a mere 3-percent growth of negative evaluations. If we compare the projection with fulfillment, indicating its underestimation by a factor of two, then the motives for wait-and-see attitudes, and insufficiently critical attitudes adopted by almost 40 percent of the enterprises of light industry, are incomprehensible. The worst financial status is characteristic of this industry. The projection of sales for the second quarter of this year is negative in the view of 30 percent of the respondents. Nonetheless, given the completely inaccurate prediction for the past quarter in terms of direction, the insufficiently critical attitudes [of respondents] toward their own potential in the face of yet another breakdown in demand is striking.

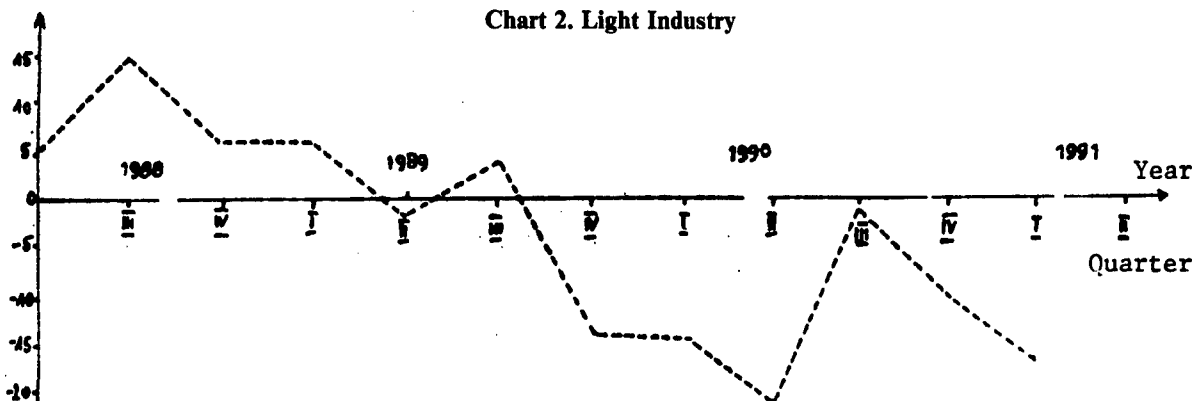
Taking into account a combination of profoundly unfavorable factors and negative trends that determined the situation in light industry in the second quarter of this year, we may get the impression that a greater segment of the enterprises took a wait-and-see attitude. The fact that light

industry ranks rather low on both investment and noninvestment actions aimed at improving economic performance testifies to this. Prospects for light industry appear to be increasingly dim, given simultaneously existing and interdependent strong demand and financing barriers, and in the face of competitive private imports and the passive stand of a considerable segment of enterprises.

Twenty-five percent of the enterprises expect production to grow, which means that the projection is somewhat more severe than in the past quarter, when 30 percent of the entities expressed such views.

Being aware of fundamental difficulties in economic processes, enterprises in the chemical industry embarked

Chart 2. Light Industry

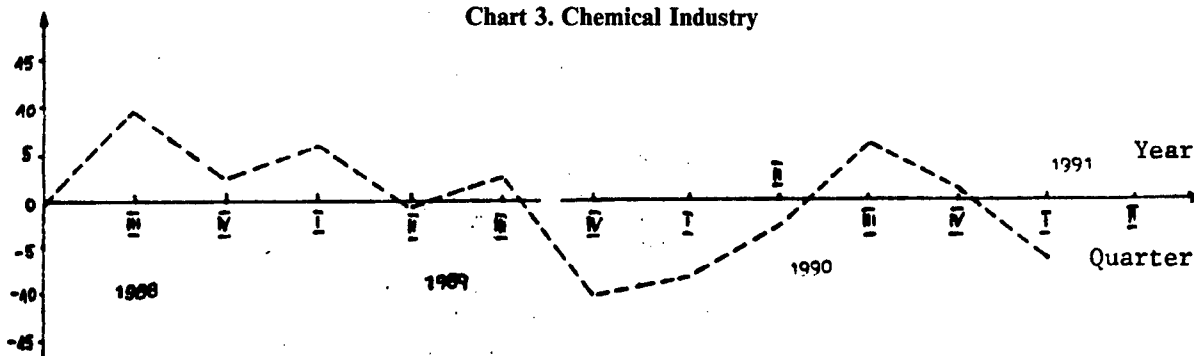


#### Chemical Industry

The degree of difficulties felt in this industry is lower than in other industries presented above. The business environment indicator, though not negative, is not particularly high (- 6.7 [as published]). A projection of the general situation in the

on vigorous actions with a view to improving their situation. Forty percent of the enterprises reported investment activities. Sixty-six percent were looking for a solution to their problems through marketing measures, the introduction of new products, or the improvement of management in enterprises.

Chart 3. Chemical Industry

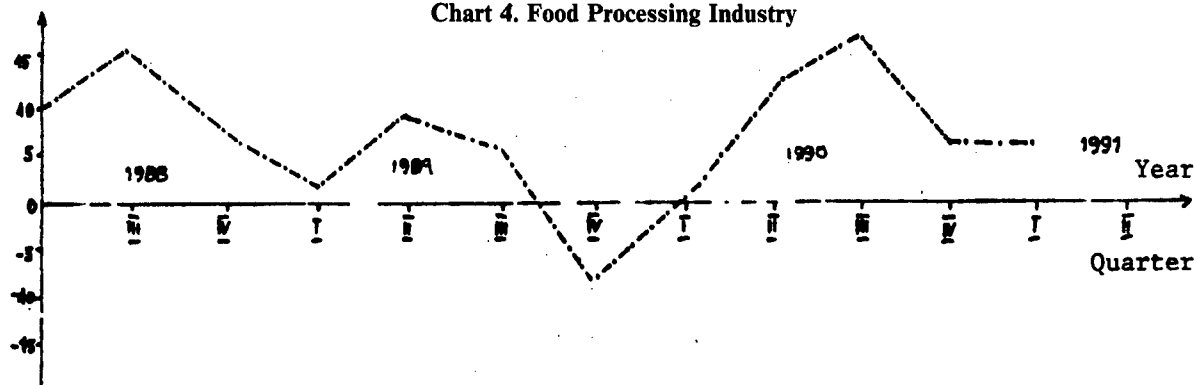


second quarter of this year is more favorable compared to the previous period. Its high accuracy with regard to the direction and intensity is noteworthy. The percentage of enterprises which expect the situation to improve and to deteriorate is equal (23.4 percent). One-third of the enterprises indicated excessive employment. Only 13 percent of the enterprises expect to streamline employment. Forty-one percent of the entities expressed apprehension about their financial status, which, in view of the further decline in demand, testifies to underestimating these difficulties.

#### Food Processing

In the opinion of enterprises, the situation was more favorable in food processing. This industry was the only one to have a positive business environment indicator. These enterprises put forth a more optimistic projection for the second quarter of this year than in the previous period. One enterprise in five expects the situation to improve; 25 percent expect it to deteriorate. Excessive

Chart 4. Food Processing Industry



employment at the enterprises of this industry is the lowest among the industries surveyed; it comes to only 17 percent. Twelve percent of the entities planned to streamline employment; hence, it should be expected that food processing will be the first one to complete the processes of adapting to the market rules of the game from this point of view. One-third of the enterprises expect the sales of their products to increase; this is a considerably better projection than in the past period. The views of the enterprises in this matter appear to be justified, given their less precarious financial standing and smaller demand strains.

A projection for the second quarter of 1991 formulated by the food industry is the least pessimistic among the industries surveyed. This is the result of considerably fewer demand and financial strains than in the remaining sectors.

#### Influx of Immigrants Creates Border Crisis

91EP0566A Warsaw ZYCIE WARSZAWY in Polish  
14 Jun 91 p 3

[Article by Andrzej Miklaszewicz: "Swimming Across the Odra"]

[Text] Gezim stated openly: "We have entered Poland illegally." In May, two Albanians, Gezim and Marku, both 32, reported to the Warsaw bureau for refugee affairs. Two children—their sons, ages four and six, tottered along.

As they stated, on the night of 1-2 May, the four of them stole into a TIR trailer at a parking lot in Durres. On the following day, the car started moving. On 7 May, they ended up in Warsaw, where they left the trailer. The driver supposedly knew nothing.

Crossing the "green border" is a crime to which a reference is made in Article 208 of the Penal Code. However, no one enforces this provision with regard to foreigners. When the Bureau for Refugee Affairs demanded that preliminary proceedings be instituted against Gezim and Marku, the Border Guard cited humanitarian considerations. After all, what is to be

done about two children? Are they to be sent to an orphanage where nobody will be able to communicate with them?

A liberal attitude toward the violators of the border facilitates an increasing influx of fugitives who wish to reach the West. In the second half of last year, 831 emigrants were apprehended on the Polish-German border (excluding Poles who violated the border). This year, before 20 May, 1,983 people have already been caught. The Bureau for Refugee Affairs calculates that at least several thousand people, all awaiting their chance, are roaming along the western border.

At times, they make desperate attempts. Four Romanians and Bulgarians were swallowed up by the high spring waters of the Odra when, in a large group, they attempted to reach the German bank in the vicinity of Slubice. Another individual, already on the other bank after crossing the Nysa, died of exposure.

#### Ceylonese Precursors

Various modes of flight are recorded in the history of the Polish border services. In the 1970's, when the bridges of friendship were wide open, GDR citizens came to Poland, where they received original West German passports with their pictures from couriers of transportation groups operating out of the FRG or Austria. Upon falsifying the entry stamp of our car [as published], they departed legally to Switzerland, Austria, or Finland in order not to arouse suspicions.

The Ceylonese used the method of group arrivals with a transportation agent, a method which the Romanians are now employing. They were allowed into Poland on the condition that they had return tickets. These tickets were collected from them by the agent at Okęcie who subsequently boarded the return flight to pick up the next group, whereas the Ceylonese themselves moved on to Swinoujscie in order to slip onto a ferry to Sweden.

Polish gypsies, whom the authorities of the People's Republic of Poland did not want to allow out of the country, developed a route through Yugoslavia, to which they traveled on identity card inserts. They purchased inserts from individuals who fronted for them, and a capable artist switched pictures. They got to Italy through Trieste-Rijeka.

They later found a shorter route. A new West German type of car which was still unknown to the Polish border services appeared in the Krakow-Aachen trains. There was a little spare room between the ceiling of the car and the roof.

In the mid-1980's, the cheapest form of travel from Poland to the United States flourished: by an Aeroflot plane from Moscow to Mexico, and from there on to the States illegally, with the help of friends.

#### Tower of Babel

Romanians account for more than one-half of the people apprehended on the border with Germany. The introduction of entry restrictions for them last year did not help much.

As a rule, deportation for being apprehended along the "green border" is not a threat because it is too expensive. We had to spend about 90 million zlotys for 30 Ceylonese whom we sent to Colombo through Moscow in the mid-1980's. Since then, the zloty has grown even weaker. The deportation of an Arab who served out his jail term cost this year's police budget 32 million zlotys.

Even preliminary proceedings are not instituted against the perpetrators of these crimes due to the lack of money and so-called technical difficulties; the two are interrelated. Such proceedings require that the individual apprehended be interrogated. For this to take place, an interpreter is needed.

In Jelenia Gora Voivodship, more than 500 Romanians, more than 200 Bulgarians, about 40 Albanians, and the same number of Ghanaians were apprehended on the border this year. In addition, the Lebanese, the Angolans, the Mongolians, the Turks, and the Liberians have appeared. Two Romanian interpreters and one Bulgarian interpreter live in Wroclaw, 150 kilometers away from Luban, where a post of the Border Guard is located. Another Bulgarian interpreter lives in Legnica. Actually, hotel rooms in Luban should be reserved for them continuously.

Interrogating the apprehended individual is merely the beginning of the case. Subsequently, records must be translated; when the trial comes about, it is necessary for the interpreter to be present in court. Expenses for a Romanian interpreter would amount to about 10 million zlotys for just one case. The more exotic the language the more it costs.

Personnel problems of the Border Guard are added to this. In Gubin, there is not a single officer, but proceedings cannot go ahead without one. In Slubice, there used to be three officers, but only one remains. Officers cannot be reassigned from the eastern border because the situation there is similar: There is one officer each in Chelm and Terespol.

The Jelenia Gora prosecutor observed in a letter to the Ministry of Justice: Preliminary proceedings against foreigners are not instituted either for humanitarian considerations, or for technical reasons. However, on the other hand, "voices are being heard increasingly about unequal treatment under the law of Polish citizens who are apprehended in the act of illegally crossing the border. After all, preliminary proceedings are instituted against them and indictments are referred to courts, or are suspended."

#### Playing Tag

When the first fugitives arrived a year ago, the WOP [Border Guard Troops] wanted to be in compliance with the law, and notified prosecutors of every case of a person apprehended at the border. In turn, prosecutors issued rulings on the noninitiation of criminal proceedings and administrative deportation. This meant that the WOP took the apprehended malefactors to the nearest voivodship police headquarters (on some nights, as many as 30 people). At the headquarters, so-called administrative visas were stamped in the passports, or orders to leave Poland within a short period of time.

The fugitives left the police headquarters as free people, and the Border Guard personnel returned to their barracks. On occasion, before they managed to return to Gubin from Zielona Gora, the German Border Guard notified the police headquarters of apprehending the same people on the border.

Therefore, they discontinued the transportation of foreigners. Summons to report to the voivodship administration (rather than to the police, because regulations have changed) are issued to the fugitives, the consequences of which are the same: They continue to stay in Poland, attempting to cross the Odra. Generally, this is to little avail because the Federal Border Troops catches up with them if they do not end up in the hands of our Border Guard. They eagerly admit to having traveled through Poland in order to avoid deportation to their native country, and in this case they return to us. It is estimated that only 10 percent of them succeed in crossing the "green border."

The Border Guard suggests that the institution of detention and deportation arrest be introduced, which would be patterned after the British Immigration Service. Provisions of the law on foreigners in effect instruct that an apprehended individual should be taken to police detention facilities, where no one can be held for more than 48 hours. Therefore, if the next return flight on which an individual undesirable in Poland may be placed leaves in



as long as a week, the person to be deported is taken from one detention facility to another, or held in the transit zone at Okecie.

Two camps will be set up in which detainees will be held for about five days, until such a time as their citizenship is determined, as well as possible criminal records and the reasons for which they left their countries. After that, they will be on their way home.

The easier it is for the fugitives to get to Poland, the more deportation camps are going to cost. At issue are primarily the Romanians and the Bulgarians, and in the near future certainly also USSR citizens. The Border Guard maintains that, unless we introduce visas, within a short period of time we will be swamped by refugees with all the unfavorable consequences thereof, such as growing crime, prostitution, and disease.

The Ministry of Foreign Affairs is refusing to make the regulations stricter. It employs several arguments: a general one, that, while we advocate the liberalization of visa policies in a better Europe, we cannot make this policy stricter ourselves, and a particular one, that the right to retortion exists, by virtue of which Poles may have difficulties vacationing at the Black Sea. Finally, in the opinion of one of the directors of the Ministry of Foreign Affairs, the entire problem boils down to beginning the enforcement of regulations in our country in cases of vagrancy, disruption of public order, and illegal crossing of the border.

However, I do not think that the position of the Ministry of Foreign Affairs can be maintained in the long run due to, as the prosecutor explained, humanitarian and technical considerations, and primarily the lack of funds.

**Critical Analysis of Iliescu News Conference**

91BA0863C Bucharest ROMANIA LIBERA  
in Romanian 11 Jun 91 pp 1, 2

[Article by Constantin Vranceanu: "At Cotroceni Palace, Slalom, and Wooden Language"]

[Text] It cannot not be said that last week the Romanian press was not in great demand. On two consecutive days two (coordinated?) events brought both President Ion Iliescu and Prime Minister Petre Roman before representatives of the media. First, on Thursday we had a "sacred supper" (as one colleague descriptively put it in an excellent article) given by the Romanian prime minister for the eight editors in chief of our major dailies amid the decor of the Elisabeta Palace. Then, on Friday afternoon we had President Iliescu's press conference, attended by over 100 reporters in one of the luxurious halls of Cotroceni Palace.

There is no doubt that both leaders intended to convey to the nation through the press, each in his own personal manner, a number of thoughts, concerns, and ideas at this time when, as it seems to be unanimously agreed, the country is experiencing a political, economic, and moral crisis of unprecedented dimensions. It was my impression that Mr. Petre Roman's initiative was also aimed at a rapprochement to a "certain category of the press." He must have realized (why so late?) that the regime's attempts to stifle the independent and opposition press by all and any means were not only doomed to failure, but were also likely to increase mistrust in the goodwill of the government team. As for President Iliescu's press conference, which I attended, its significance was far broader; it must be stated from the very start that the prospects offered by the Romanian head of state for the near future were not at all optimistic, but rather alarming. Not so much with regard to the solutions presented for overcoming the crisis, but primarily from the viewpoint of the concept and way of thinking of the man propelled to the head of the country by the 20 May 1990 elections. But let us review the facts....

In an approximately 25-minute "expose" (why don't they give up this scenario, typical of the pro-Moscow countries?), the president practically anticipated the questions and presented his position on the current key issues: the economic situation, the possibility of forming a national unity government, the events of 13-15 June of last year, the "Berevoiesti case," etc. Can the president have underestimated the professional competence and understanding of the audience, of the Romanian and foreign reporters, and did he think that any of the above issues would escape their barrage of questions? If so, then we have reason to worry, because it reflects "a certain opinion" with which we cannot agree.

The report in question contained critical remarks about the inertia of the system, the persistence of old structures, some of the mistakes of the administration, corruption, profiteering, difficulties in providing raw materials for enterprises, unemployment, price hikes, etc.

Nevertheless, the president appreciated that some encouraging signs had appeared in the economy: Some enterprises have gotten on their feet (he did not say how many, but he recommended that the press cite the good examples of the transition phase; who was it who used to make such recommendations?), there were some good signs in the agricultural field, too, and "the peasants are showing greater interest in working" (!), and so forth.

These were the positions expressed by Mr. Ion Iliescu on the major current political issues: 1) For the time being, a national unity government is not "in the cards." Why? Because there have been talks with the opposition parties belonging to the National Convention, but they want to form a government by themselves, without the FSN [National Salvation Front], and that is out. 2) Mr. Dijaurescu's suggestion to hold early elections this year is unrealistic and does not have the support of either the government (that statement seems to have been contradicted by Prime Minister Roman at his meeting with reporters at the Elisabeta Palace) or Parliament, and has even been rejected by some of the opposition parties. The rate of progress of the work of the Constitutional Assembly will not allow the Constitution to be adopted before 1 December. (Note, dear readers, that on 8 June the country's president knew—from Mr. Birladeanu?—how fast the Constitutional Assembly will work in the coming six months. Is it true that because of the efforts made by Parliament members their summer recess will last two months this year?) Even if the Constitution were adopted before 1 December, then, as we know, will come the electoral bill. Consequently, the president concluded, there is no question of elections before next spring. 3) On the other hand, there is a chance of holding local elections this fall. Along this line, the president recommended that "the best managers" be promoted to the positions of mayor and prefect. (Once again, the haunting question comes up: Where have we heard this kind of thing before?)

At the end of this speech, Mr. Iliescu stressed that we need quiet, order, and a working climate, not hostility or intolerance. He rejected the tendency to assign guilt and made a pathetic appeal for national reconciliation among all the political groups. (Was that one of the declared purposes of the press conference? Be that as it may, this time the reply came from the...East. The TASS correspondent to Bucharest noted that he had counted at least six to seven appeals by the president for national reconciliation to which no one responded, and he queried, not without humor, how many more were coming...).

For the sake of complete objectivity, we must also emphasize a few other aspects of the press conference, whose implications cannot be ignored because they indicate a certain mentality and because they reflect the thinking of not just anyone, but of Romania's president. What do we have in mind? First we will refer to Mr. Iliescu's description of the 13-15 June 1990 events. In this respect he showed consistency (this time not in the positive sense of the word). In other words, last June's

events demonstrated the weakness of the forces of order and the naivete of the government in trying to have a dialogue. On the other hand, he asserted, the events were misinterpreted abroad and greater importance was attached to the 14th and 15th than to the 13th, when extremist gangs went into action. At the question of one colleague, "Why did you thank the miners?" President Iliescu replied that he had to do it because those people had come to Bucharest on their own initiative to do the job of the forces of order who showed themselves incapable of dealing with the situation, but, he added, he distanced himself from the miners' excesses. We were not told when that distancing occurred, nor do we remember any such thing.... Anyway, now, when it will soon be one year since the June events (could that have anything to do with the appeal for national reconciliation?), the fact that the president did not deviate one iota from his initial version of the "miners epic," does not seem to speak for him in the least.

The second aspect that reflected a certain way of thinking on the part of the "presidential institution" was the explanation offered about the "Berevoiesti case." That was President Iliescu's first opportunity to express his view on a serious crime committed by employees of the Romanian Intelligence Service [SRI], namely the destruction and burial of Securitate and other documents in its possession. We had expected the Romanian head of state to publicly condemn such a deed and to promise that the people responsible will be punished. A false illusion! Or rather, utter disillusion. Mr. Iliescu used the "Berevoiesti case" to prove that the theory that the SRI is the continuation of the Securitate was not true. His argument? This case has only served to demonstrate the lack of professionalism and the irresponsibility of SRI employees! Therefore, if they can make such mistakes they cannot be the same ones as in the past. They are new! In other words, "Down with the Securitate!" "Long live the SRI!" At my question—as the envoy of ROMANIA LIBERA, the newspaper that brought the Berevoiesti "into the light"—whether President Iliescu viewed this affair as merely an example of "unprofessionalism" and nothing more, the president "evaded the question," saying that the documents were insignificant and that they are given too much importance.... We will leave the reader to draw his own conclusions.

And finally, "a certain category of the audience" was unpleasantly surprised by President Iliescu's violent attack against the memory of Marshal Ion Antonescu. I cannot agree with his rehabilitation, the Romanian head of state said (I am quoting from memory). Let us not forget that he was Hitler's ally and he was the one who dragged the country into a war of aggression against the USSR that caused the Romanian people enormous material and human losses. I do not negate some of his leadership qualities, but in the final analysis his only merit may be that he repressed the Iron Guard rebellion. If the act of 23 August 1944 had not occurred, if Romania had not changed sides in the war—which

afforded us a favorable status at the peace negotiations—we would have lost much more; in other words...Transylvania.

We do not have the necessary space here to explain to Mr. Iliescu the conditions in which Romania entered the war at Germany's side. We will do it some other time. Anyway, we want to assure him that that was the only way to keep Transylvania. Not the other way around. As for the act of 23 August 1944, which in a way paved the road for communism to come to power in Romania, we experienced firsthand its consequences for the fate of our country and our people. One question though: Were the Soviets so upset by the rehabilitation of Marshal Ion Antonescu that President Iliescu promised (perhaps on the occasion of the signing of the Treaty...) to assume a public attitude against this act of moral reparation, thereby for the second time "executing" the marshal, as one of our colleagues aptly observed?

President Iliescu was asked many questions at the press conference on Friday. Some of them we could have done without and should have been more appropriately addressed to the government. Others, however, were disturbing. With the pride of one who wants to make every play by himself and who wants to appear informed about everything, the president insisted on answering all of them; he evaded quite a few truths, but we must admit that he did so with the skill of a former party activist, of a former (county or youth) first secretary "hardened" in countless meetings. That is why the press conference at the Cotroceni Palace resembled a slalom competition with commentary in a wooden language.

P.S. Our television colleague Rodica Beclean was not disappointing. Last Saturday on the "7x7" program, the questions addressed to President Iliescu at the press conference were "passed through the filter." Only some of them were relayed live, while the most controversial ones were only commented upon. That is how ROMANIA LIBERA's envoy came to inquire about the professionalism of SRI employees....

**Dragan Paper on Aftermath of Cabinet Reshuffle**  
*91BA0863B Bucharest RENASTEREA BANATEANA*  
*in Romanian 31 May 91 pp 1, 6*

[Article by Valentin Iordachescu: "Ceaseless Reshuffling"]

[Text] The Bucharest press has produced fresh details more or less connected to the (still) recent reshuffle of the Roman cabinet. We will dwell on them because they are not insignificant for either the concerns of the opposition nor for the possible future composition of the political spectrum.

Thus, it happened that Mr. Radu Campeanu has continued his contacts with the president's entourage for the purpose of securing the vice presidency of the executive (since he has a secondary place both in the CPUN [Provisional National Unity Council] and in the Senate)

for himself and at least 10 million lei of the PCR [Romanian Communist Party] fortune for the PNL [National Liberal Party], as well as the largest possible number of portfolios for the opposition in a possible new cabinet. These disclosures were made by the magazine EPOCA, which defines itself as a "weekly serving the entire democratic opposition," but which reflects especially the viewpoints of the National Peasant Christian Democratic Party [PNT-cd]. The publication, which is currently militating for the swift transformation of the Civic Alliance into a political party, has been known to criticize Mr. Campeanu for not sharing this stand and preferring to negotiate with the authorities for a "national unity" government, in contrast to PNT-cd leader Corneliu Coposu, who is now flatly refusing any cooperation with the National Salvation Front [FSN].

But what does Mr. Campeanu mean by a "national unity" government? As he recently explained in an interview, what he means is a government in which parties that have their own parliamentary groups are represented. In other words, no representation for parliamentary opposition groups that do not have or are not able to attract sufficient colleagues from other parties (at least 10) to form a group. That would eliminate at least one rival, Mr. I.I. Bratianu. We want equality, but not for everyone. We will soon find out whether the distinguished Senate president will modify his views now that not only the FSN, through its dissident 20 May group, but the liberals, too, after Mr. Policrat's ousting, are active in two parliamentary groups each.

At official talks with FSN leaders, the representatives of the opposition were content with fewer demands than the PNL leader, who is being increasingly challenged in his own party for his authoritarianism. So far these demands have been turned down by the FSN as exaggerated. Still, the dialogue remained open between the majority and the minority after President Iliescu facilitated it in the wake of the 6 May meeting with the leaders of the parties included in the Civic Alliance. At that time Mr. Campeanu advocated the above formula and a neutral (non-FSN) prime minister, and Mr. Coposu was for a transitional government of technocrats which would hold new elections. Mr. Cunesco did not express an interest in participating in any government, but stressed the urgency of local elections, while Mr. Domokos talked about other problems, proceeding probably from the premise—which he has asserted more than once—that the UDMR [Democratic Association of Hungarians in Romania], established in order to defend national interests, by definition cannot come to power.

It is not to be ruled out that, after the preliminary negotiations, the president may be called in again.

Similarly, it is very possible that our young prime minister may have grasped that, trivialized by the provisions of the electoral bill adopted by a miniparliament aware of the fact that the job will revert to Mr. Iliescu in the absence of a defection, the presidential institution nevertheless remains a political factor that cannot be

ignored. This may also be one of the reasons for which, in the live broadcast occasioned by the first anniversary of the elections, the president and the prime minister presented an image of complete harmony.

As for Mr. Campeanu, while these disclosures mask the reality, we must once again note his noteworthy political skill. However, navigating between the two islands that only Ulysses managed to escape is not an undangerous operation. After being the main target of the pro-governmental press, Mr. Campeanu has now landed in the crossfire of increasingly more opposition publications, after he himself was left without his own newspaper. Criticized in his own camp for undemocratic leadership methods (see Mr. Policrat's recent statements), Mr. Campeanu was admonished by ACUM (the civic society's weekly: director, Al. Paleologu), the above mentioned EPOCA, ROMANIA LIBERA, and other publications for his political behavior (such as reportedly swearing not by principles, but by opportunities), in contrast to the straight ethical code of Mr. Coposu, who is consistent in his political options. That attitude, however, was criticized by the government press for being intransigent and not taking the realities into account.

One way or another we may venture to predict that we will have another new government before the elections, perhaps another Roman government. Why not, when one considers that the average lifespan of Italian postwar governments has been under one year! And they do not even have as many parties. Can it be that we are less Latin and less temperamental?

### **Roman Relations With ROMANIA MARE Scored**

*91BA0863E Bucharest ROMANIA LIBERA  
in Romanian 20 Jun 91 pp 1, 5*

[Interview with Claudiu Iordache, former first deputy chairman of the National Salvation Front, by Florin Gabriel Marculescu on 13 June; place not given: "The Faces Behind the Puppets"]

[Text] [Marculescu] What do you think of the reactions elicited by your withdrawal from the FSN [National Salvation Front]?

[Iordache] The FSN Central Collegium is meeting today (13 June), after which a communique will probably be released about both my resignation and that of the members of the FSN-20 May group. I want to begin with a clarification: there was no coordinated relation between myself and that group. But the reaction of some representatives of the FSN leadership was revealed in both the declaration made by Mr. Mihut in the Chamber of Deputies and in the press statement given by the FSN Senate leader, Mr. Vasile Vacaru. Both suggested that during my tenure as first deputy chairman I could have engineered the changes needed to shape the FSN into a noncommunist, undeserving of blame, responsible, and social-democratic movement. Both gentlemen know as

well as I do that such a thing was not possible, but in contrast to them, I took the risk of implicating the Front by my own statements to the press, continuously recalling its obligations toward the December Revolution as its primary beneficiary and of its obligation to refuse any contact both with the nationalist movement that is crystalizing (see similarities between the favorite themes of ROMANIA MARE and the daily AZI, including similarities of language) or with the support networks of the communist oligarchy which, under the political management of the Front, have managed to penetrate almost the entire national administration and to achieve spectacular economic gains. Evidently these appeals were ignored and the only possible explanation is that the FSN never took a clear position. As for the reaction of the man in the street, I would like to cite the words of a lady (N.D.) from Bucharest who, before my separation from the Front, asked me in a letter not to leave the FSN. This is what she wrote to me on 10 June: "After the revolution many plans were made, all of which were supposed to bring us peace and dignity. In view of everything that followed we realize that in fact we did not even manage to stand up. They we are nothing but extras.... The tragedy of this situation is accentuated by the fact that the authors remain anonymous while taking care to provide us with fake targets at which we can direct our dissatisfaction caused by the crisis we are experiencing. My membership in the Front now makes me feel guilty..."

[Marculescu] Was the communist oligarchy reinstated thanks to the Front, or are we dealing with an uninterrupted continuity of structures in the dual sense of the word: institutions and people?

[Iordache] The opportune moment for the return of this oligarchy was marked by the dismantling of the county CPUN's [Provisional National Unity Councils]. Within a very short time the key positions at prefectures and town halls were filled. Two groups were particularly swift in seizing these positions: the oligarchy I mentioned before, and patently opportunistic functionaries with a lengthy communist past. They are still there and I think it will be the exceptional role of the coming local elections to oust them from the positions from which they can control Romania's economic levers. From this viewpoint I view them as more important than the legislative elections.

[Marculescu] The lady you quoted was referring to the anonymous authors of a script. How anonymous are they?

[Iordache] It is an anonymity that is inescapably unraveling. I think that very soon we will see the faces behind the puppets. That, of course, will mark a great victory, because at that point it will mean that the pain stemming from the December Revolution can be considered healed.

[Marculescu] Did the Securitate contribute to the scenario we were talking about?

[Iordache] I think that as an organization, the Securitate is still not resting, and that it was responsible for the December events, but not by itself.

[Marculescu] It is frequently said that we are not out of communism. Do you think that is an exaggeration?

[Iordache] Communism damaged the historical development of the Romanian people. It demonstrated most thoroughly how dangerous the political practice of illusions can be. Like an advanced case of silicosis, communism stayed hardened in the Front's lungs.

[Marculescu] What can you tell us about the increasingly evident exacerbation of nationalism?

[Iordache] I proceed from the observation that prior to the December Revolution we had a nationalist communism. Later, communism was (seemingly) abandoned, and the only cover left was nationalism. They can be said to be one and the same.

[Marculescu] ROMANIA MARE makes a big fuss about the large audience reached by its message...

[Iordache] ROMANIA MARE seems to have many proselytizers, which means that the Romanian citizen must be helped to recognize and respect his true nature. In fact, week after week ROMANIA MARE delivers only one speech, couched in the language of the mediocrity of those who frequent its insanities: We will once again be what we were, and more.

[Marculescu] What is your opinion of the TVR [Romanian Television]?

[Iordache] It is an institution that has arrogated to itself the right to decide what kind of information is to be supplied daily to this nation. Its broadcasts sometimes remind me of a key situation in a science-fiction story about a world of people made to feel euphoric not by realities but by propaganda drugs. The duty of the TVR is not to spare the national feelings. Its duty is to deliver the information required to give a complete image of the people's daily life.

[Marculescu] It seems that the FSN is increasingly losing ground among the electorate. Do you not think that the votes the FSN is losing risk going to extremist political groups?

[Iordache] The erosion is an established fact. The initial homogeneity of this political movement has become a centrifugal heterogeneity. The weaker the FSN will become, the faster the interested forces will abandon it. I have long felt that the government itself is seeking ways of shedding the burden of this party's future.

[Marculescu] What you are saying seems almost paradoxical as long as the prime minister and the party leader are one and the same...

[Iordache] Those who are closely familiar with the FSN situation know what few hours the prime minister has devoted to the party whose leader he is.

[Marculescu] You spent a lot of time around the prime minister; what's more, you supported him. How do you reconcile your present attitude with your attitude in the past?

[Iordache] First I needed the contacts to get to know him. Despite the fact that at one point he was the party leader and I was the first deputy chairman, our meetings were extremely rare. But I acquired some experience in connection with my interest at that time in ensuring that the FSN become a clean movement. During this time the party leader's behavior more than once gave me the impression that he was not aware of the real structures of his party. He was constantly surrounded by advisers who fed him the kind of information that was often shockingly removed from the realities of the Front. For a while I confronted those advisers, but in the final analysis I was not able to mitigate their influence. As far as our personal relations went, Mr. Roman always behaved courteously toward me. But I could not forgive him for situations in which, in my opinion, he did not react well; on the contrary. One example: I disapproved of the relations between the Front and its newspaper with ROMANIA MARE. He, however, flirted with that newspaper. I stubbornly upheld my decision in favor of the Front's social-democratic options. He let himself be persuaded by his entourage to turn down this option for much of the time. I thought that the Front needed an unequivocally noncommunist policy. He seemed to me far more enigmatic in this respect. As a politician, however, I think that Mr. Petre Roman does not entertain illusions of enlightenment. He suffers the George Macovescu effect gladly.

[Marculescu] What is this effect?

[Iordache] If you recall, at the 12th PCR [Romanian Communist Party] Congress, Constantin Pirvulescu dared to openly criticize Nicolae Ceausescu. At that point George Macovescu, who was then president of the Writers Union, hastened to defend him.... Coming back to Mr. Roman, I also want to point out that he is incapable of keeping his promises. It is worthwhile to make a list of his promises. My impression is that he lacks the flexibility and negotiation skills typical of a genuine politician. Last fall Petre Roman risked losing the support of the majority group in the Chamber of Deputies because he obstinately insisted on keeping Liviu Muresan (at the time the leader of the FSN group in the House and currently deputy chairman of the FSN) near him. The consequences showed themselves when the government reshuffle came up for vote. There is also the system whereby government people who flunk their cabinet duties are quickly appointed ambassadors. It has come to the point where a new word has appeared in the Romanian political folklore: to ambassadorize....

[Marculescu] What do you think of the stability of the new government?

[Iordache] I will simply quote from an article published by Andre Tardieu in 1924 under the title "Arrogance in Bankruptcy": "A government that was wrong about everything, foresaw nothing, and did not improve anything."

[Marculescu] What are Claudiu Iordache's current political options?

[Iordache] I will serve out my term as an independent deputy. I will endeavor to support the establishment of a Social-Democratic Union in Romania based, among other things, on the premise that the file of Romanian communism is considered finally closed, and that this movement will do everything in its power to ensure that this kind of political adventure is never again attempted. In my statement in the Chamber of Deputies I asserted my intention to express the interests of the Romanian trade unions in Parliament whenever my intervention is requested. Recently I received a note from the Federation of Free Trade Unions of Timis County expressing their interest in such a proceeding.

[Marculescu] Today is the first anniversary of the tragic events in Bucharest. What is your interpretation of them?

[Iordache] One year ago at this time I was in the Chamber of Deputies and did not quite understand what was happening in the streets of Bucharest. Today, however, I believe that Romanian democracy was dealt a mortal wound during those days. Naturally, we want to see the full picture of who was responsible for what. I addressed a letter to President Iliescu along this line. Only healthy nations are capable of tolerance. The Romanian nation is one of them. Everything can still be accepted if those who engineered the national tragedy of 13-15 June 1990 admit everything.

[Marculescu] Are you optimistic for the short term?

[Iordache] I don't fear the future, if the present will allow us to get there.

P.S. As you would have realized, this discussion took place on 13 June.

#### **SRI on Press Handling of Berevoiesti Case**

91BA0863A Bucharest ROMANIA LIBERA  
in Romanian 13 Jun 91 p 2

["Text" of statement issued by Romanian Intelligence Service Press Office; date not given: "To the Editorial Staff of ROMANIA LIBERA"]

[Text] In the spirit of truth and by virtue of the right to reply, please publish the following:

The Romanian Intelligence Service [SRI] agrees to assume its share of the responsibility for the so-called

Berevoiesti case, but views the prolongation—far beyond the confines of the “case”—of the press campaign launched by your newspaper as tendentious.

Clearly this campaign is designed to suggest more than it states, but the sole effect of tacking on facts that are extraneous to the case per se and to the nature of our activities, is to flagrantly disinform the public and poison the atmosphere.

As we have repeatedly stated, the former Securitate cadres who were employed in checking and censoring mail, in fact ceased their activities on 22 December 1989 when they were pulled out of post offices and units—a fact that can be verified by post officials—and the SRI did not take over any of the activities of the former Securitate in this area.

Consequently, we strongly maintain that every instance of violation of mail and parcels and of telephone tapping recorded after 22 December 1989 were solely the responsibility of individuals interested either in obtaining information (as was the case of some telephone exchange workers in Tirgu Mures who were apprehended listening in on talks between Romanian political figures), or in gaining illicit possession of material or other assets.

Therefore, we believe that the publication—in ROMANIA LIBERA of Friday, 7 June—of an article which appeared three weeks ago in the daily TIMISOARA, denoted that you were motivated not by a desire to (re)establish the truth, but by petty and opportunistic dishonesty, which can probably be explained by the fact that the campaign we mentioned before has been considerably losing credibility. Because even a superficial look shows that the article in question does not prove any of its insinuated suggestions to the effect that the main, if not the only mail “violator” in postrevolutionary Romania was allegedly the SRI, which thereby continued the practices of the former Securitate, etc.

Unfortunately, what is occurring in Timisoara is not an isolated case: In Cluj, for example, in March of this year, a citizen found 26 letters tossed in a gutter. The local newspaper MESAGERUL TRANSILVAN objectively reported the incident in two consecutive issues and came to the conclusion—based on an investigation of the facts—that it had been a felony prompted by the valuables assumed to have been in the envelopes in question.

Significantly, the MESAGERUL TRANSILVAN report did not find its way into ROMANIA LIBERA, since it did not fit your stance on the “Berevoiesti case.”

Equally significant for the alleged objectivity of ROMANIA LIBERA was the minor inversion that your editor Eugen Dichiseanu allowed himself, truth notwithstanding, in the “commentary” accompanying the article reproduced from the daily TIMISOARA. Thus, Mr. Dichiseanu stated: “But it seems that the shadowy forces, annoyed by the discovery of the mail bags, are taking action. Immediately after the appearance of the present article in our newspaper, Mr. Valentin Bircea’s

apartment was burglarized, various items were stolen (...), and the whole place was ransacked. Was that a ‘common law’ sequel to Mr. Valentin Bircea’s current political disclosures? It is very possible. The Berevoiesti symptom continues.” In reality, the two articles (the first of which was cited from ROMANIA LIBERA) appeared in the daily TIMISOARA in its 15 and 16 May issues, whereas Bircea’s apartment was “burglarized” in the night of 9-10 May—as he stated himself in his complaint to the Timisoara Municipal Police.... Thus, not “immediately after” as your editor stated, but about one week prior. The readers themselves will draw the due conclusions.

To us, at least, it is clear that above and beyond the “democratic” pretenses of its supporters, the press campaign unleashed in connection with the so-called Berevoiesti case—a campaign that betrays a carefully and timely prepared scenario—is unequivocally directed against the SRI. In view of the fact that—as we hope will be demonstrated by the investigations of the parliamentary commission—the SRI does not threaten any of those who act within the boundaries of the state of law, we view this campaign as pointless.

There is no objective reason to anticipate the results of the investigation of the “Berevoiesti case” or to extrapolate the guilt of some SRI employees to the entire organization. However great your newspaper’s interest to unmask to the end some former repressive structures, it should not leave itself exposed by trying to unilaterally and unjustifiably appear as the sole holder of “absolute truths” about this case before either Parliament or the Prosecutor’s Office have had a chance to round up their investigations.

#### **Iliescu ‘Indifferent’ to Bukovina Romanians**

*91BA0863D Bucharest ROMANIA LIBERA  
in Romanian 19 Jun 91 p 2*

[Interview with Vasile Tariteanu, chief editor of Chernovtsy newspaper PLAI ROMANESC, by Mihai Vicol in Chernovtsy in June: “The Drama of Bukovina: A Forced March Toward National Oblivion”]

[Text] [Vicol] Mr. Chief Editor, please begin by telling us something about the condition of the Romanians in Bukovina.

[Tariteanu] Their condition was discussed at length in the appeal addressed to the United Nations by the participants in the National Assembly of Romanians in the Current Chernovtsy Region concerning human rights violations in that area, an appeal that your reputable newspaper was kind enough to publish a few days ago, something for which we feel grateful. This appeal presented in detail our people’s unfavorable conditions of spiritual and cultural development and of ethnic development. Since 1940 the leadership of the region, the Republic, and the country did nothing but preclude the natural development of the Romanian nation and led it

in a forced march toward national oblivion and toward forgetting their history and their mother tongue. In the wake of this policy, the deplorable situation is that many of our fellow Romanians have become assimilated and have forgotten their language, faith, traditions, and origin.

To cite a few figures, 29 Romanian schools were closed down during this period, so that the Romanian language is no longer used in schools in many villages with a majority Romanian population.

[Vicol] If I understood you correctly, TV antennas pointed toward Romania were pulled off roofs. Can you talk about it more specifically?

[Tariteanu] School is taught in Russian and Ukrainian. Not one Romanian-language school was opened during this period. What is more, Romanian books were removed from libraries in the area.

Television antennas pointed toward Romania were pulled off houses. Subscriptions to Romanian newspapers are forbidden. According to statistics, currently more than 200,000 Romanians live in the Chernovtsy area, but you will not find one copy of the present, varied Romanian press, neither on the market, nor by subscription. The links with the mother country have been severed. The current leadership is doing everything possible to disrupt the process of openness among Romanians; pilgrimage to the holy national sites at Putna, Sucevita, Voronet, or Curtea de Arges has been banned.

[Vicol] How much truth is in the report that Eminescu's statue and the monument of his sister Aglaia have disappeared without a trace from Chernovtsy?

[Tariteanu] It's entirely true. I will tell you about Eminescu's bust. The bust was erected thanks to public subscriptions and donations given by people of goodwill in Bukovina, and it had been standing in the Arborea Park in the center of the city since 1930. One night in 1940, immediately after the arrival of the so-called "liberators," the statue disappeared without a trace, just as the monument of Eminescu's sister Aglaia disappeared from the cemetery.

[Vicol] What can you tell us about Gh. Asachi's statue?

[Tariteanu] Gh. Asachi's statue in Herta also disappeared. The marble plaque read: "To the Great Teacher of the People," but "great minds" at the time translated it for the authorities in the sense of "church teacher," at a time when the policy was completely anticlerical and antireligious and the theory was that religion was the "opium of the masses."

[Vicol] What is the current situation about expressing Romanian viewpoints? Do you encounter difficulties?

[Tariteanu] Yes, we have enormous difficulties. In the Ukraine, to which the present Chernovtsy area belongs, Ukrainian was declared the state language. According to

that decision, taken by the Ukrainian Parliament in 1990, in the Romanian schools there is now another state language, in addition to Russian, which is also a state language.

The newspaper I mention, PLAI ROMANESC, does not appear in Chernovtsy because the local printer does not have any linotype machine with Latin characters. We are forced to print it in Kishinev, then bring it to Chernovtsy by train.

The regional television allocates very little space for Romanian language broadcasts, and most of them consist of party and Soviet news. Our children have no opportunity to hear poems and stories in the language of Eminescu and Creanga.

[Vicol] What has been done by Romanians from Romania to help you?

[Tariteanu] We are grateful to a number of civic organizations and cultural associations like the Cultural League for Unity Among Romanians Everywhere, led by Father Galeriu, whom we want to particularly thank for his assistance; the Association for Romanian Culture and Literature in Bukovina, whose headquarters is in Galanesti, and its Chairman Mircea Irimescu; the Stefan cel Mare Society of Suceava and Iasi; the Bucharest-Chisinau Society; Culture Without Frontiers, and the Pro-Basarabia and Bukovina Society, which made rather important efforts on our behalf, such as collecting books and securing additional slots for Bukovina youth in Romanian schools. Thanks to them, about 170 of our young people are studying in Romania, 30 of them in theological schools.

[Vicol] What have the Romanian Government, Parliament, and President Ion Iliescu done to alleviate your situation?

[Tariteanu] Regretfully we cannot say the same thing about or express the same thanks to President Ion Iliescu or to Romania's Parliament and Government, because they are indifferent to the plight of Romanians living outside the country's boundaries. I wonder why the current leadership has not found an opportunity to visit densely populated Romanian areas in the Ukraine, Bessarabia, Hungary, Yugoslavia, and other countries? Why could the Hungarian leadership do so and visit the region beyond the Carpathians, inquiring about the material and cultural living conditions of the Hungarians living there, who in fact enjoy more rights than we, Romanians do. The Romanian leadership never did anything of the sort. I think that before going to Moscow and before sending Foreign Minister A. Nastase to Moscow and Kiev, Mr. Iliescu should have examined our situation, and only after that should he have sat down to negotiate. We feel abandoned and betrayed by the current Romanian rulers.

[Vicol] How does the man, journalist, and poet Vasile Tariteanu see the future of this Romanian region abandoned to the mercy of foreigners?



[Tariteanu] Dear colleague, I wish the future could be like in Eminescu's beautifully expressed lines: "My wish for you, sweet Romania, a great future to match your great past." I would like it to be like the affluents that flow into the river that ends up in our great and indivisible Romanian homeland. Speaking for myself, I do everything in my power, just like each one of the over 20,000 members of the Mihai Eminescu Society for Romanian Culture, to defend the culture and history of our nation in Northern Bukovina, Northern Bessarabia, and the Herta district, and to continue to preserve and develop our eternal ideals.

[Vicol] Before concluding, what do you want to convey to your conationals between the Prut and Tisa rivers?

[Tariteanu] Not only between the Prut and Tisa, but to the Romanians everywhere: In the words of the Vacaresti poets, we hold nothing dearer than "to honor the fatherland." In view of this truth, I hope that we will not forget one another, and then God will not forget us. In other words, "Let all who have a Romanian heart join hands."

#### **UDMR Recognizes Croatian, Slovene Independence**

*AU1007090991 Bucharest ROMPRES in English  
0809 GMT 10 Jul 91*

[Text] Bucharest, ROMPRES 10/7/199—The inaugural meeting of the UDMR [Democratic Association of Hungarians in Romania] Union Council took place in Cluj, on July 6. A meeting of the UDMR Presidium had taken place the day before. The agenda included the setting up of the Executive Collegium, based on preliminary contests, the endorsement of the secretaries, as well as the preparation of the meeting of the Union Council of delegates, reads a release sent to the ROMPRES news agency.

The Union Council of delegates debated and endorsed the rules of the Council, of the Parliamentary Group and of the Auditing Commission.

The Union Council of delegates decided: The UDMR recognizes the right to self-determination of the Croatian and Slovenian nations and condemns the military settlement of political issues.

The UDMR expresses its worry about the mounting antisemitism in the country.

The UDMR supports the setting up of a minority forum in the Carpathian-Danubian region.

The UDMR proposes that a round table conference debate the national[ity] issue together with representatives of Romania's government, of the ruling party, of the opposition parties.

The UDMR addresses an appeal to the Geneva CSCE conference on minorities, demanding the establishment

of a wide system of international norms regarding the rights of minorities and their guaranteeing.

#### **Dijmarescu on Economic Performance, Problems**

*91BA0870A Bucharest ADEVARUL in Romanian  
19, 20 Jun 91*

[Interview with Economy and Finance Minister Eugen Dijmarescu by Gh. Cercelescu; place and date not given: "The Path to Europe Goes Through the Economy"]

[19 Jun pp 1, 2]

[Text] [Cercescu] Minister, the Romanian Government officially requested that exploratory negotiations be started for the purpose of our country's association with the EEC. Are we prepared for such a step?

[Dijmarescu] Romania applied for associate status while implementing a government program for economic reform and for guaranteed democratic rights and political pluralism in our country. We have come to the end of a phase during which many things were achieved. Unfortunately, however, too little is known abroad about what we have accomplished. That is why there is some perplexity: Poland, Czechoslovakia, and Hungary are already negotiating with the "Twelve" in the EEC and they hope to sign an association agreement by the end of the year, while Romania, despite its ambitious program, is kept at a distance. But how can the Common Market officials realize that the programs of the three candidates lag behind the stage of fulfillment of Romania's program, when the realities prevailing in our country are not known?

There are also some preconditions for the association, especially concerning legislation and economic-financial regulations. In that respect, too, Romania has more of a right than others to request associate status. Moreover, our country does not have foreign debts that could create problems in the financial relations between the member states and the countries associated with the Common Market. Everyone knows how difficult and complex the problems generated by the debts of those who are now negotiating in Brussels are. At the same time, the Romanian law in the area of competition and elimination of monopolies is more advanced than in the other East European countries.

However, what we have achieved toward the legislative reform of the economy has to be backed up by political stability. Thanks to our new law we have placed foreign investors on an equal footing with domestic investors, and in addition have given them various guarantees; however, the movement of capital is probably predicated by the guarantee of political stability more than anything else. In view of the fact that various events staged after the governmental program was put in motion appeared as protests against the reform and the process of transition to a market economy, the question is, do all of us want Romania to be granted a European status? Are we

all ready to accept the difficulties of the transition period, or do some of us tend to fall prey to its socioeconomic cost?

[Cercesescu] The social cost of the transition is indeed a key issue. However, when this issue comes up, many point the finger at the government. Why?

[Dijmarescu] That is inevitably one of the prices that has to be paid for the transition. This price, however, does not stem from the fact that in order to achieve a market economy one absolutely needs to pay a tribute, but from the socioeconomic situation of a country in transition. So the price—i.e., unemployment or the disparity between prices and salaries—is all the greater when the situation of the country in question is bad. Nevertheless, even in Parliament we have heard questions along the line of: Why do we have to liberalize prices, why does liberalization lead to higher prices? Didn't the Parliament members who asked such questions work in enterprises or socioeconomic units previously? Have they so soon forgotten the disastrous condition in which they left them? Can one find the truth about an economy without ensuring that the prices reflect the production costs at the enterprise level?

The liberalization, which because of the difficult situation in our economy translated into considerable price increases, raised the issue of social compensation. However, the government program clearly stated: Salaries will be raised to provide compensation for the higher prices, but the pay increase will not be equal to the price increase, because that way we can never arrive at the truth. Later, however, a bill was legislated concerning salaries which seriously threatens the government's policy and especially Romania's credibility, which I say is now trying to hoist the economic imbalance from the ground floor to the 10th floor. All the pay increases secured in the wake of negotiations contribute to neutralizing the balancing effect of the price increases.

[Cercesescu] But the reason for the unrest is not the pay increases per se, but the fact that the law does not ensure that the pay increases are covered by profits of the enterprises that give them...

[Dijmarescu] The law says that the enterprises are obligated to make sure that they have the money for salaries before making any other payments to suppliers, lending banks, etc. On the other hand, foreign investors who bring their capital to Romania and find out that they would have to pay salaries even if the business does not do well—for one thing because people are not highly motivated to work—will certainly reconsider their intentions. This kind of legislation is certain to lead enterprises to bankruptcy. By first paying salaries without taking into account the economic results, the enterprises become incapable to procure the raw and other materials needed to continue producing. And by not paying the suppliers they block payments between enterprises. Consequently, forgive me for saying so, but the enterprises

should point the finger not only at the government, but at the bills that do not meet the requirements of a market economy.

[Cercesescu] Is the legislation concerning salaries the only one that does not meet the new requirements?

[Dijmarescu] No, in my opinion very serious amendments should be made in the income tax legislation. The tax on business profits is up to 77 percent. Such a tax rate cannot serve as an incentive to economic enterprises to increase their revenues. But if the business does not make a profit, there will not be any new jobs or higher salaries. High taxation discourages people with initiative and energy. In the past, this was done for the sake of so-called evening out the profit level of the enterprises. I regret having to say so: We want to have a market economy, but the provisions we put in some of the new laws are reminiscent of the past.

[Cercesescu] Don't you think that we are making a very great mistake in taxing individual revenues, too?

[Dijmarescu] The income tax deduction for employees who have children, for example, is universal in Romania—20 percent. Everywhere else in the world this method was abandoned 60 years ago and replaced by a legislation under which tax deductions are proportionate to the number of children. If we were to introduce a differentiated system of taxation, too, then the budget would gain about 20 billion lei which it could use to increase investments. But we don't have this money because we issued laws which we planned with the thinking of the past, but which we christened "market economy laws."

While certain laws—like that on foreign investment or privatization—are innovative, promote change, and bring Romania closer to the EC, others push it at an even greater distance, are of a populist nature, and do not meet social needs. The profit tax may be the best example: If we had only two or three tax brackets, according to the size of the profit, but none of them exceeded, let's say, 40 percent, the enterprises would clearly have additional resources for investment and for paying the employees in accordance with their work and with market price developments. In the absence of such a system, many appeal to the government for budget subsidies, especially in order to pay salaries, something that is absurd and contradicts what one could call the essence of a market economy.

[Cercesescu] You are talking about bills that ignore the principles of a market economy and make the transition even more painful. Who made those laws if not the government?

[Dijmarescu] Indeed, the executive power, which engaged in the process of reforms, is the promoter of bills in Parliament. However, some bills left Parliament with very many distortions. For example: Article 36 of the land stock bill says that people who used to own land that is now being used by state enterprises will receive shares

worth up to 10 hectares of arable land. If the land is estimated by what it produced in the past five years, let's say, then the owner of such shares is entitled to about 2 million lei. In industry, however, where the production facilities are worn out and productivity is low after 10 years of no investments to update them, the employees will receive only 10 percent or less of what people receive in the agricultural sector. When the land stock bill was discussed in Parliament, and so many amendments were made, did anyone consider that such a major contradiction will be created in Romanian society?

[Cercescu] Minister, you spoke about Parliament's mistakes. Has the executive power not made any?

[Dijmarescu] It certainly did. Here is one, also from the area of salaries and pay increases. There was a lot of talk about the need to correlate the payroll with the price evolution and to come to a certain indexing, on the basis of which salaries can rise, too. But what happened in actual fact? Instead of indexing the national pay fund or the payrolls of the enterprises, individual salaries were indexed. That was a major blunder, because this kind of indexing does not take into account the financial results obtained by each enterprise, it is equal for everyone, and that does not encourage those who work more and better. Another mistake, also traceable to the Labor Ministry and the Finance Ministry, was to give allowances for work conditions. Salary negotiations proceed from the basic salary in the economy, which already includes the compensation and indexing of 1 April 1991. To that are then added the allowances, which are calculated in percentage points, the result being that some salaries are doubled. Small wonder: There are more pay increases in our country than anywhere else in the world. The salary, however, is a category in itself and is negotiated as a block that includes work conditions. The system currently used in Romania is to the detriment of the enterprises, which, because of the pay increases, are forced to raise prices. But because of the close network of relations among enterprises, when one raises its prices it affects all the others, which in turn react in the same way, thus adding to the deterioration of the general situation.

[20 Jun pp 1, 2]

[Text] [Cercescu] Minister, continuing our conversation, can you tell us what you think should be done to speed up the reforms involved in the transition to a market economy?

[Dijmarescu] We need to think and act as in a market economy. Otherwise the losses may be unexpectedly big and the transition process may considerably slow down. Once again I would like to cite specific situations: There is a law called a contract between buyer and supplier. No one wants to take the contract as the basis for his activities. Everyone expects to get allocations. From where? From the technical-material supply bases. When an enterprise goes to the supplier to get the raw and other materials it needs, the supplier will not deliver the goods, although it has signed a direct contract with it, unless it

has the permission of the supply base, as required under various instructions and orders issued by ministries or departments. The bases do not have, as they should, the goods that the enterprises need. They only have allocations, for which they charge commissions that may go as high as 20 percent of the value they provide. This paper shuffling is very expensive and in a market economy it would certainly lead to bankruptcy.

[Cercescu] There seems to be a strong conflict between the wish to achieve a market economy and some people's way of thinking. The foreigners who say: "How can you expect to make progress when you think as before?" may be right.

[Dijmarescu] Indeed, the thing most difficult to change is the mentality and the capacity to grasp what is new. It is difficult for the economic concept of reform to filter down to enterprise level. Based on the government's laws and decisions the ministries and departments issue orders and instructions that do not always reflect the spirit of the documents that inspired them. But in order to implement the reform the same language must be spoken at every level, even if people do not always have the same interests. In talks between the government and the trade unions I noted that some trade union leaders have a better grasp of the mechanisms of a market economy than many enterprise managers or section leaders in various ministries and departments.

As soon as someone thinks that he is dealing with a difficult problem he runs to the government, as if the government had a remedy for every ailment. And it's not so much the degree of difficulty of the problems that preclude solutions, but something else. Very many enterprises complain that they do not have money for investment and development. Did anyone prevent the enterprises in question from issuing shares on the market in order to supplement their financial resources? All they needed to do was to ask a bank for assistance. All too often we run into the damaging consequences of thinking inertia.

[Cercescu] However, according to another approach, the government, preoccupied with creating a legislative framework for the work, neglected the enterprises; some even think that the government washed its hands of them. Consequently, instead of improving, the situation of the enterprises continues to deteriorate....

[Dijmarescu] Only a superficial view of the situation can lead to such a conclusion. Considered in depth, however, the reality is different: The government cannot wash its hands of the enterprises for the simple reason that the economic enterprises are to the government what bread is to man. Can anyone govern outside the economic sphere? Yes, currently the government cannot tell enterprise X to give three meters of pipe to enterprise Y so that the latter does not have to stop its production. On the other hand, it can tell it what lever to use to fulfill its obligations, or how to secure the rights to which it is

entitled in its relations with partners. Have you heard of any enterprise that sued a partner for not fulfilling its contract obligations?

As for the cost of the transition, as I said, that is determined by the given socioeconomic situation. Naturally, this cost can be and must be kept low. But first of all we must find out the potential of each factor involved in the transition process. Let's take one of the costs of the transition: the difference between the prices and salary indexes. International practice has shown that in order to narrow the gap between these indexes one efficient means is to integrate the enterprises along the vertical axis. For example, all the large oil companies in the world do not only have oil wells, but they also have refineries to process the crude oil, and various other capacities for production, distribution, and sale. Throughout this chain, they operate on the basis of costs, the so-called transfer prices, which are lower than the market prices.

But what happens in our country in an area as important as the oil industry? Romania processes both domestic and imported crude oil. Imported oil is more expensive than domestic oil, but in order to protect the national resources, the crude goes into refineries at the world market price. If, however, the refineries were to associate with the producers, as they are permitted to do by the legislation adopted last June, the situation would change. The crude oil from our own wells would be less expensive, and what's more, we would no longer have to pay the turnover tax and all the taxes charged in the sale-purchase cycle. The refineries could thus lower the production costs and sales prices. The synthetic fibers and yarns plants, and other refinery customers, would obtain their raw materials at a lower price, and thus their production expenses would drop. So far, however, none of the refineries has integrated. They all continue to purchase crude oil at world market prices. Something like that cannot be blamed on the government.

For the time being we have to deal with the pressure of salaries over prices. The government can no longer control all the prices by putting a ceiling on them and it is compelled to give up such ceilings. The law, however, must be observed, and prices must be negotiated.

[Cercesescu] Who should negotiate with whom? As long as the state continues to hold the monopoly, can prices be negotiated and set according to demand and supply? We have only demand, there is almost no supply.

[Dijmarescu] In my opinion, the truth lies somewhere in the middle. Because if in Romania there are, let's say, five shoe factories, there is no doubt that because of technical or other conditions at least three of them will produce at different prices. But the price of the shoes is the same regardless of where they are made. The explanation is not hard to find: Instead of the negotiations taking place between the sellers and the factory, they took place among the producers, who violated the law and set their own prices, thus creating a monopoly.

[Cercesescu] If they violated the law, can they not be punished?

[Dijmarescu] Of course, society or the domestic trade department should punish them in order to protect the consumer. They might not have been able to do so when the stores were empty, but they have begun to fill up. However, if goods sit on the shelves, that is not because people have too much, but because the prices make them inaccessible.

[Cercesescu] You said that the government is confronted by the pressure of salaries over prices. The enterprises, however, complain that they have the opposite problem. They accuse the government of having released control over prices which can now no longer be controlled.

[Dijmarescu] The end producer does not have to accept any price, because in so doing sooner or later both will end up selling less, reducing the production, and finally stopping production. But the producers do not even negotiate among themselves; whatever price is asked is accepted.

[Cercesescu] How can they not accept it when they know that there are only one or a few suppliers? I, as a shoe factory, will not buy from my old supplier, but he has the production monopoly, so he can sell elsewhere.

[Dijmarescu] There are two aspects here: the first is the need we felt from the beginning to break up monopolies and to create more suppliers who would be competing among themselves. This is a must until the leu becomes convertible and foreign competition comes into play. But the law on eliminating monopolies is not being applied. Privatization can be the solution, but that would not solve the entire problem either. Privatization does not mean that one factory would be split into several components competing among themselves, but rather that its owner would change. Of course, the new owner may use some of the capacities to produce goods on which some enterprises currently have a monopoly, but that is not a general rule.

[Cercesescu] Speaking of monopolies, is the development of the private sector being encouraged in the production area?

[Dijmarescu] The legislation concerning domestic investors carries no incentive because there is no differentiation among facilities. But if private initiative is maintained in the area of distribution, all we will see are price increases and growing competition to buy goods, rather than to produce them. But the law concerning foreign investors has been duly amended, so that they will receive greater fiscal advantages if they engage in production. The same will have to be done for domestic investors.

[Cercesescu] Was the suggestion to hold early elections motivated by the failure of the government's economic policy and its incapacity to bring to completion its program of reforms, or was it designed to prove to the

public that the opposition is not ready to govern although it has demanded early elections, which in fact it does not want?

[Dijmarescu] Personally, I'm not clinging to the power. I think that what is important is not the person, but the program. In this respect, I think that the opposition is not yet ready. I don't see that the opposition has an alternative program, only certain endeavors to shift economic elements to the political sphere. From the beginning certain opposition parties shouted, "You stole our program," but that would have been very difficult, considering that their programs are still at the same point. There is no alternative to the government's economic program. However, now that the country has to deal with problems typical of a transition period, the opposition tends to slide into cheap populism; on the one

hand it distances itself from communism, while on the other it praises what was good in the past.

But our public needs a credible opposition as much as it needs a credible majority. In the conditions of a political, economic, and social process as extensive as our present one, we need to make sure that all the forces represented in Parliament are pulling in the same basic direction and that what some politicians are demanding are only corrections designed to improve the situation, rather than trying to block the transition process simply for political reasons, and that they are not finding fault without offering solutions. These are a few questions that can be answered only through elections. Perhaps we, too, should have recourse to a referendum when the vital issues of the Romanian nation are at stake.